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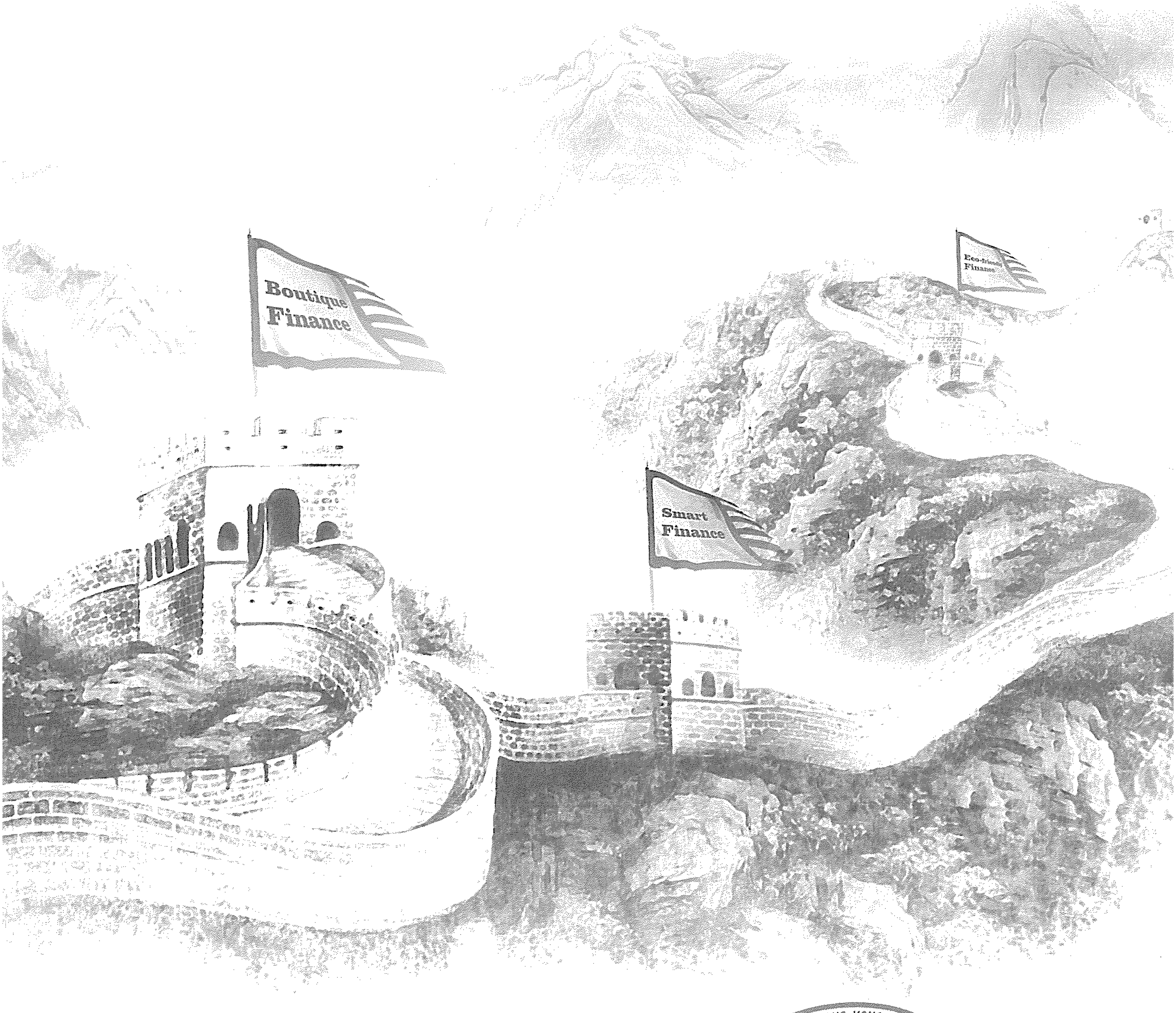
PING AN BANK



Annual Report 2015

PING AN BANK COMPANY LIMITED HONG KONG REPRESENTATIVE OFFICE
平安银行股份有限公司香港代表处
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LAU HAI SUEN ALPHA
DEPUTY CHIEF REPRESENTATI...

Contents

Important Notes, Contents and Definitions

1.1.The board of directors (hereinafter referred to as the "Board"), the board of supervisors (hereinafter referred to as the "Board of Supervisors"), the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of the Annual Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.

1.2.The 20th meeting of the 9th session of the Board of the Bank considered the 2015 Annual Report together with its summary. 14 directors attended the meeting, at which 14 directors were expected to attend. This report was approved unanimously at the meeting.

1.3.The 2015 Annual Report prepared by the Bank was audited by PricewaterhouseCoopers Zhong Tian LLP (special general partnership) according to the PRC standards on auditing with the issue of the auditors' report with unqualified opinions.

1.4.Sun Jianyi (the Bank's Chairman), Shao Ping (the President), and Han Xu (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report contained in the 2015 Annual Report.

1.5.The Annual Report involves forward-looking statements such as the future plan, which do not constitute substantive undertakings of the Bank to the investors. Investors and the relevant persons shall be sufficiently aware of the risks associated with the statements and acknowledge that there are differences among the plans, estimates and undertakings.

1.6.The Bank suggests that investors should read the full text of the Annual Report carefully, and pay extra attention to the following risk factors: the key risk exposures of the Bank in its operations include the credit risk, the market risk, the liquidity risk, the operation risk, the reputation risk, the country risk and the legal and compliance risk. The Bank has adopted various measures in order to manage and control different operation risks effectively. For details, please refer to Chapter 9 Management Discussion and Analysis.

1.7.Proposal of profit distribution or capitalization of capital reserve during the reporting period approved by the Board: proposes to distribute a cash dividend of RMB1.53 per 10 shares (tax inclusive) to all shareholders based on the total share capital of the Bank of 14,308,676,139 shares as at December 31, 2015, and issue a scrip dividend to all shareholders by way of conversion of capital reserve to share capital on the basis of 2 shares for every 10 shares in issue.

Definitions

Term	Definition
Ping An Bank, the Bank or the Company	The bank derived upon the integration of the Shenzhen Development Bank Company Limited ("Shenzhen Development Bank" or "SDB") with the former Ping An Bank Company Limited ("former PAB") in merger through absorption and after renaming
Shenzhen Development Bank, SDB	A national joint stock commercial bank established on December 22, 1987. The bank is renamed to Ping An Bank after the merger with the former PAB through absorption
Former PAB	A joint stock commercial bank established in June 1995 with operations across regions, and was deregistered on June 12, 2012
Ping An China, Ping An Group or the Group	Ping An Insurance (Group) Company of China, Ltd.
Central Bank	The People's Bank of China
CSRC	China Securities Regulatory Commission
CBRC	China Banking Regulatory Commission

Corporate Profile

I. Corporate Information

Stock short name	Ping An Bank	Stock Code	000001
Stock exchange on which the shares are listed	Shenzhen Stock Exchange		
Name in Chinese	平安银行股份有限公司		
Stock short name in Chinese	平安银行		
Name in English	Ping An Bank Co., Ltd.		
Stock short name in English	PAB		
Legal representative	Sun Jianyi		
Registered capital	RMB14,308,676,139		
Registered address	5047 East Shennan Road, Shenzhen City, Guangdong Province, the People's Republic of China		
Zip code for registered address	518001		
Business address	5047 East Shennan Road, Shenzhen City, Guangdong Province, China		
Zip code for business address	518001		
Website	http://www.bank.pingan.com		
Email	pabdsh@pingan.com.cn		
Customer service hotline	95511-3		

II. Contact Persons and Means of Contact

	Secretary of the Board	Representative of Securities Affairs
Name	Zhou Qiang	Lv Xuguang
Office Address	Board Office of Ping An Bank, 5047 East Shennan Road, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank, 5047 East Shennan Road, Shenzhen, Guangdong, the PRC
Telephone	(0755) 82080387	(0755) 82080387
Facsimile	(0755) 82080386	(0755) 82080386
Email	pabdsh@pingan.com.cn	pabdsh@pingan.com.cn

III. Information Disclosure and Place for Maintenance

Newspapers selected by the Company for information disclosure	China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
Website designated by CSRC to publish the Annual Report	The website of CNINFO (http://www.cninfo.com.cn)
Place for keeping Annual Report of the Company	Office of the Board

IV. Changes of Registration

Organizational code	19218537-9
Changes of the main business of the Company after listing (if any)	None
Changes of controlling shareholder (if any)	Ping An China is the controlling shareholder of the Bank. In May 2010, the former largest shareholder of the Bank, Newbridge Asia AIV III, L.P. ("Newbridge"), transferred all its 520,414,439 shares of the Bank to Ping An China. In June 2010, the Bank underwent a non-public offering of 379,580,000 shares to a controlling subsidiary of Ping An China, Ping An Life Insurance Company of China (herein referred to as "Ping An Life Insurance"). After the share issue, Ping An China and its subsidiary Ping An Life Insurance held 1,045,322,687 shares of the Bank in total, representing approximately 29.99% of the enlarged total share capital of the Bank upon issuance. In July 2011, the Bank issued 1,638,336,654 shares to Ping An China to acquire its 7,825,181,106 shares of former PAB and RMB2,690,052.3 thousand for the material asset reorganization. After the material asset reorganization, the total share capital of the Bank was increased to 5,123,350,416 shares. Ping An China and its controlling subsidiary Ping An Life Insurance in aggregate held 52.38% of the shares of the Bank, becoming the controlling shareholder of the Bank. In December 2013, the Bank underwent a non-public offering of 1,323,384,991 shares to Ping An China. After the offering, the Bank has 9,520,745,656 shares. Ping An China and its controlling subsidiaries Ping An Life Insurance held 59% shares of the Bank in total, and are the controlling shareholders of the Bank. In May 2015, the Bank underwent a non-public offering to qualified domestic investors of 598,802,395 ordinary shares, of which 210,206,652 shares were subscribed by Ping An China. After the issue, the total share capital of the Bank increased to 14,308,676,139 shares. Ping An China and its controlling subsidiary Ping An Life Insurance held 58% shares of the Bank in total and were the controlling shareholders of the Bank.

V. Additional Related Information

1. Accounting firms appointed by the Company

Name of the accounting firms	PricewaterhouseCoopers Zhong Tian LLP
Business address of the accounting firms	2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
Name of signing accountants	Yao Wenping, Zhu Liping

2. Sponsor engaged by the Company for provision of ongoing supervision during the reporting period

Name of sponsor	Business address of the sponsor	Representative signatory of sponsor	The period of ongoing supervision
CITIC Securities Company Limited	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, PRC CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen City, PRC	2014 non-public offering of ordinary shares: Ma Xiaolong, Liang Zongbao 2015 non-public offering of ordinary shares: Ma Xiaolong, Sheng Zifei	2014 non-public offering of ordinary shares: From January 9, 2014 to the end of the accounting year of 2015. 2015 non-public offering of ordinary shares: From May 21, 2015 to the end of the accounting year of 2016.

Note:Due to the issue of preferred shares, the Bank has engaged Guotai Junan Securities Co., Ltd. and Ping An Securities Limited as joint sponsors responsible for ongoing supervision. For details, please refer to the Announcement on Change in Ongoing Supervision Sponsor and Sponsor Representative of Ping An Bank Co., Ltd.

3. Financial advisor engaged by the Company for provision of ongoing supervision during the reporting period

☐ Appicable √Not Applicable

Major accounting data and financial indicators

I. Major accounting data and financial indicators

Whether the Company has adjusted or restated retrospectively the accounting data for previous years due to the change of accounting policies and corrections of accounting errors.

☐ Yes √ No

(In RMB million)

Item	2015	2014	2013	Year-on-year change
Operating income	**96,163**	73,407	52,189	31.00%
Operating profit before asset impairment loss	**59,380**	41,257	26,845	43.93%
Asset impairment loss	**30,485**	15,011	6,890	103.08%
Operating profit	**28,895**	26,246	19,955	10.09%
Gross profit	**28,846**	26,194	20,040	10.12%
Net profit	**21,865**	19,802	15,231	10.42%
Net profit net of non-recurring gains/losses	**21,902**	19,841	15,166	10.39%
Earnings per share (EPS):				
Basic EPS (in RMB)	**1.56**	1.44	1.29	8.33%
Diluted EPS (in RMB)	**1.56**	1.44	1.29	8.33%
Basic EPS after non-recurring gains/losses (in RMB)	**1.56**	1.45	1.28	7.59%
Cash flow:				
Net cash flows from operating activities	**(1,826)**	25,321	91,674	(107.21%)
Net cash flows from operating activities per share (in RMB)	**(0.13)**	1.85	6.69	(107.03%)
Total assets	**2,507,149**	2,186,459	1,891,741	14.67%
Shareholders' equity	**161,500**	130,949	112,081	23.33%
Net assets per share (in RMB)	**11.29**	9.55	8.18	18.18%

Note: The profit distribution proposal of the Bank for 2014 was implemented during the first half of 2015. A cash dividend of RMB1.74 (tax inclusive) was paid for every 10 shares held based on the total share capital of the Bank of 11,424,894,787 shares as at December 31, 2014 and a scrip dividend by way of conversion of capital reserve to share capital was issued on the basis of 2 shares for every 10 shares.

Pursuant to the Standards for Content and Format of Information Disclosure Of Companies Issuing Securities Publicly No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Amendment), the earnings per share for the respective comparative periods shall be recalculated based on the adjusted number of shares. The earnings per share, net assets per share and net cash flows from operating activities per share stated in the table above were recalculated based on the adjusted number of shares.

Have the share capital ever changed and influenced the amount of the owners' equity because of new issue of shares, additional issue, allotment, exercising the stock option, or repurchasing, etc. from the end of the reporting period to the disclosure date of the Annual Report?

☐ Yes √ No

Accounting Data and Financial Indicator Highlights

I. Major accounting data and financial indicators(Continued)

Total share capital of the Company on the trading day preceding the disclosure

Total share capital of the Company as at the trading day prior to disclosure (in shares)	14,308,676,139
Fully diluted earnings per share calculated based on the new share capital (RMB/share)	1.53

Whether there are corporate bonds

☐ Yes √ No

II. Quarterly financial indicators

(In RMB million)

Item	First Quarter of 2015	Second Quarter of 2015	Third Quarter of 2015	Fourth Quarter of 2015
Operating income	20,671	25,904	24,577	25,011
Net profit attributable to the shareholders of the Company	5,629	5,956	6,155	4,125
Net profit attributable to shareholders of the Company after non-recurring profit/loss	5,637	5,954	6,163	4,148
Net cash flows from operating activities	11,495	171,027	(90,537)	(93,811)

Have the above financial indicators or their totals differed significantly from the relevant financial indicators in the quarterly report and half-year report disclosed by the Company?

☐ Yes √ No

III. Item and amount of non-recurring gains/losses

(In RMB million)

Item	2015	2014	2013	Year-on-year change
Gains/losses on disposal of non-current assets (fixed assets, foreclosed assets or gains/losses on disposal of long-term equity investment)	**(24)**	(8)	11	(200.00%)
Gains/losses on contingency (projected liabilities)	**(1)**	(6)	53	83.33%
Other non-operating income and expense except the above items	**(24)**	(38)	21	36.84%
Income tax effect	**12**	13	(20)	(7.69%)
Total	**(37)**	(39)	65	5.13%

Note: The non-recurring gains/losses shall refer to the meaning as defined in the Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses.

During the reporting period, no items of non-recurring gains/losses as defined/stated pursuant to the Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses were defined as recurring gains/losses.

IV. Profitability indicators

(Unit: %)

Item	2015	2014	2013	Year-on-year change
Return on total assets	**0.87**	0.91	0.81	-0.04 percentage point
Average return on total assets	**0.93**	0.97	0.87	-0.04 percentage point
Fully diluted return on net assets	**13.54**	15.12	13.59	-1.58 percentage points
Fully diluted return on net assets (net of non-recurring gains/losses)	**13.56**	15.15	13.53	-1.59 percentage points
Weighted average return on net assets	**14.94**	16.35	16.57	-1.41 percentage points
Weighted average return on net assets (net of non-recurring gains/losses)	**14.96**	16.38	16.50	-1.42 percentage points
Cost/income ratio (excluding business tax)	**31.31**	36.33	40.77	-5.02 percentage points
Credit costs	**2.56**	1.55	0.84	+1.01 percentage points
Deposit-loan spread	**4.89**	5.01	4.47	-0.12 percentage point
Net interest spread (NIS)	**2.63**	2.40	2.14	+0.23 percentage points
Net interest margin (NIM)	**2.77**	2.57	2.31	+0.20 percentage points

Notes: Credit costs = credit provisions for the period / average loan balance (including discounts) for the period; Deposit-loan spread = average yield of loan (excluding discounts) – average deposit cost rate; Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities; Net interest margin = net interest income / average balance of interest-earning assets.

Accounting Data and Financial Indicator Highlights

V. Deposit taking and advance of loans

(In RMB million)

Item	December 31, 2015	December 31, 2014	December 31, 2013	Change from the end of current year over the end of last year
I. Deposit taking	**1,733,921**	1,533,183	1,217,002	13.09%
Including: Corporate loans	**1,453,590**	1,280,430	1,005,337	13.52%
Retail loans	**280,331**	252,753	211,665	10.91%
II. Total loans and advances	**1,216,138**	1,024,734	847,289	18.68%
Including: Corporate loans	**774,996**	639,739	521,639	21.14%
General corporate loans	**761,331**	627,326	509,301	21.36%
Discounted bills	**13,665**	12,413	12,338	10.09%
Retail loans	**293,402**	282,096	238,816	4.01%
Receivables for credit cards	**147,740**	102,899	86,834	43.58%
Provision for impairment of loans and advances	**(29,266)**	(21,097)	(15,162)	38.72%
Net loans and advances	**1,186,872**	1,003,637	832,127	18.26%

Pursuant to the Notice on the Statistical Standards for Adjusting the Deposits and Loans of the Financial Institutions by the People's Bank of China (Yin Fa [2015] No.14), starting from 2015, the deposits placed by non-deposit financial institutions at financial institutions are accounted for as "Total Deposits", whereas the loans extended by deposit financial institutions to non-deposit financial institutions are accounted for as"Total Loans". Based on the new statistical standards of the People's Bank of China (the "Central Bank"), as at December 31, 2015, total deposits and total loans amounted to RMB2,123,100 million and RMB1,264,200 million, respectively.

IV. Supplementary financial indicators for the recent three years as of the end of the reporting period

(Unit: %)

Financial indicator		Standard level of indicator	December 31, 2015 Year-end	December 31, 2015 Monthly average	December 31, 2014 Year-end	December 31, 2014 Monthly average	December 31, 2013 Year-end	December 31, 2013 Monthly average
Liquidity ratio	RMB	≥25	52.14	53.37	52.51	57.24	50.00	49.72
Liquidity ratio	Foreign currency	≥25	103.30	123.17	82.49	104.09	44.33	73.23
Liquidity ratio	RMB and foreign currency	≥25	54.29	58.59	53.21	60.28	49.56	50.41
Liquidity coverage		≥70	140.82	Not applicable	80.25	Not applicable	Not applicable	Not applicable
Loan/deposit ratio (including discounted bills) (RMB and foreign currency)		Not applicable	69.01	68.50	65.39	65.85	69.67	69.68
In accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)	Capital adequacy ratio	≥10.5	10.94	Not applicable	10.86	Not applicable	9.90	Not applicable
In accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)	Tier one capital adequacy ratio	≥8.5	9.03	Not applicable	8.64	Not applicable	8.56	Not applicable
In accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)	Core tier one capital adequacy ratio	≥7.5	9.03	Not applicable	8.64	Not applicable	8.56	Not applicable
Ratio of loans to the single largest client to net capital		≤10	3.46	Not applicable	2.93	Not applicable	4.73	4.49
Ratio of loans to top 10 clients to net capital		Not applicable	20.16	Not applicable	19.77	Not applicable	20.88	23.21
Ratio of accumulated foreign exchange exposure position to net capital		≤20	1.71	Not applicable	0.52	Not applicable	0.65	Not applicable
Pass loans flow rate		Not applicable	6.92	Not applicable	4.74	Not applicable	4.78	Not applicable
Special mention loans flow rate		Not applicable	29.13	Not applicable	20.16	Not applicable	37.77	Not applicable
Substandard loans flow rate		Not applicable	49.42	Not applicable	55.68	Not applicable	43.61	Not applicable
Doubtful loans flow rate		Not applicable	85.27	Not applicable	98.29	Not applicable	88.70	Not applicable
Cost/income ratio (excluding business tax)		Not applicable	31.31	Not applicable	36.33	Not applicable	40.77	Not applicable
Non-performing loan (NPL) rate		≤5	1.45	1.27	1.02	1.02	0.89	0.97
Provision coverage		Not applicable	165.86	Not applicable	200.90	Not applicable	201.06	Not applicable
Loans loss provision ratio		Not applicable	2.41	Not applicable	2.06	Not applicable	1.79	Not applicable

Note: Regulatory indicators are shown in accordance with the regulatory standards.

Pursuant to the requirements of the Administrative Measures for Liquidity Risks of Commercial Banks (for Trial Implementation), the liquidity coverage of commercial banks shall reach 100% by the end of 2018; during the transitional period, the liquidity coverage shall reach 60% by the end of 2014, 70% by the end of 2015, 80% by the end of 2016 and 90% by the end of 2017, respectively.

Business Overview

I.Overview of principal activities or products during the reporting period

Ping An Bank was formed after the merger of former Ping An Bank Co., Ltd. by former Shenzhen Development Bank Co., Ltd. through absorption. It is a national joint-stock commercial bank.

Principal activities of the Bank

The Bank is engaged in the following commercial banking services as approved by the regulatory authorities: (1) deposit-taking from the public; (2) advance of short-, medium- and long-term loans; (3) domestic and overseas settlement; (4) bills acceptance and discounting; (5) issuance of financial bonds; (6) agency for issuance, agency for honoring and underwriting of government bonds; (7) purchase and sale of government bonds and financial bonds; (8) interbank lending and borrowing; (9) trading of foreign exchange on its own behalf and as an agent; (10) bank cards; (11) provision of letter of credit services and guarantees; (12) agency for collection and payment and insurance agency; (13) safe deposit box services; (14) foreign exchange settlement and sale; (15) offshore banking; (16) asset custody; (17) gold related business; (18) financial adviser, and credit standing investigation, consultation and witness; and (19) other businesses as approved by the regulatory authorities.

The stage of development of the industry where the Bank operates

Under the backdrop of a "new normal" for the Chinese economy, commercial banks are still in a favorable period for development. However, there are changes for the opportunities arising from such favorable period. The general opportunities and quantitative opportunities gradually change to structural opportunities and qualitative opportunities. The direction of the financial development changes to further vertical expansion from horizontal expansion, thus providing a broader but complicated market environment for commercial banks. The comprehensively regulatory trend relaxes the regulatory restrictions on and creates room for innovation of the development of comprehensive financial services. The operating environment for commercial banks will allow for diverse development perspectives. The change in the financial market will encourage commercial banks not to rely on market expansion. Instead, commercial banks will intensively participate in the vertical division of labor along the financial industry chain. Commercial banks will live on their own "food chain" for survival out of the "copetitions" with financial institutions in the new financial ecosystem. The role of commercial banks will change to a capital organizer from a capital provider and gradually shift to a multi-faceted intermediary of money, services and information from a specialized intermediary of credit to meet the growing diversified, customized financial and non-financial needs of the customers.

II.Core competitiveness analysis

The Bank offers customers comprehensive integrated financial services with the service philosophy of integration, investment banking and specialization. With the idea of cross-industry business integration on the internet, the Bank has created new financial business for the internet era.

(I) Integrated finance strategy. Integrated finance is one of the unique operating strategies of the Bank. Primarily relying on the integrated finance platform of Ping An Group, the Bank has horizontally consolidated resources from the government, enterprises and other banks, and vertically consolidated upstream and downstream resources along the industry chain, internally consolidated bank resources and externally consolidated group resources. This enables the Group to provide comprehensive integrated finance services under single client and account with different service and product offerings to its customers, thereby creating the core competitiveness of integrated finance and forming a unique core competitiveness of the Bank.

(II) Unique and competitive brand products. With the ongoing financial disintermediation, customers' demands have become more complex and diversified, which requires integrated finance services covering settlement, investment, financing and wealth management. Striving to the operating philosophy of "centering customers' needs", and focusing on organizational and business mode innovation, the Bank has further enhanced its traditional competitive edges through product development and technology innovation. It has created unique products including "Dai Dai Ping An", "orange-e-net", "Hang-E-Tong", "Sector Funds", "Internet of Things" and "Ping An Orange" etc., thereby establishing a influential market brand and enhancing customer loyalty.

III.Changes in core technical team and key technical staff during the reporting period (excluding directors, supervisors and senior management)

☐ Appicable √Not Applicable

IV.Significant changes in major assets

(I)Significant changes in major assets

☐ Appicable √Not Applicable

(II)Significant changes in overseas assets

☐ Appicable √Not Applicable

Chairman's and President's Statements

SUN Jianyi

PING AN BANK Chairman

The year 2015 witnessed an increasingly complicated environment, with the slowdown in the recovery of the global economy, diverse growth in major economies, and the stumbling start of the interest-rate hike cycle in the US, which triggered a significant impact to the rest of the economies in the world. Chinese economy moved from the stage where the government simultaneously dealt with the slowdown in economic growth, made difficult structural adjustments, and the price-in of previous economic stimulus policies, to the material time of "three nodes" of development pace conversion, structural adjustment and momentum transition, undergoing the painful moment of "reduction of industrial capacity, destocking, and deleveraging". In the meantime, with the stable promotion of all state strategies, the new mission of the "moderate prosperity for all" set out in the "13th Five-Year Plan", the acceleration of economic and financial reforms and the completion of interest rate marketization, the banking industry entered a new era of new challenges and new opportunities.

While procyclical operation is by luck, countercyclical operation is by wisdom. In view of the twin pressure of downward external economic development and internal structural adjustment, Ping An Bank has been operated by wisdom with changes and innovation. The Bank maintained a robust growth in its financial results, blazing a "different" way of development of Ping An Bank. The Bank attained satisfactory operating results in terms of earnings growth, quality control, business development and operational transformation.

In 2015, the net profit of Ping An Bank amounted to RMB21.865 billion, representing a year-on-year increase of 10.42%, the average return on total assets reached 0.93% and the weighted average return on net assets reached 14.94%; the total assets amounted to RMB2,507.149 billion, representing an increase of 14.67% as compared with that at the beginning of the year, the total deposits amounted to RMB2,123.1 billion, representing a significant increase of 19.88% over the beginning of the year, leading the industry; the non-interest net income accounted for 31.26%, representing a further increase of 3.5% as compared to last year; the asset-and-liability structure was optimized continuously, the deposit-loan spread kept expanding and the interest spread was increasing in a stable manner with the net interest spread increased 0.2% to 2.77% against the market trend, thus secured a leading position from a level lagging behind other players in the industry; the non-performing rate across the Bank was still at 1.45%, a low level compared to its industry peers, while the asset quality remained stable.

In 2015, remarkable results were seen in the strategic transformation of all business segments of Ping An Bank. For its corporate business, the Bank pushed forward professional operation with the industry business unit completed its positioning in nine major industries. In 2015, the loan balance of the six business units which had been officially set up increased by RMB125.9 billion, the overall corporate deposits of the Bank increased by RMB185.6 billion, representing a year-on-year increase of 18%; for its investment banking business, the annual intermediate business income of the investment banking business amounted to RMB8.328 billion, with specific areas including the capital market and asset custody attained remarkable improvement; as of the end of 2015, the business size of the capital market amounted to RMB129.26 billion, representing a 16.5-time increase as compared to the whole year of 2014; the size of asset custody amounted to RMB3,690 billion, representing a year-on-year growth of 105%, and the innovative model of industrial funds increased the awareness of the brand; for its retail business, the foundation of the development of all businesses was fully consolidated, with the brand influence of wealth management and private banking businesses strengthened, the retail product line ever-expanding and innovating and the construction of community banks pushed forward in a stable manner. The retail deposits

Shao Ping

PING AN BANK President

for the whole year increased by RMB25.8 billion, up 10.55%, the individual customers' assets under management exceeded RMB667.2 billion, representing an increase of 33% over the beginning of the year; for its interbank business, the total profit of precious metal transactions, gold leasing business and precious metal agency business ranked top three on a nationwide basis and the sales of interbank products for the whole year exceeding RMB1,261.7 billion, representing a year-on-year increase of 300%; the "Gold Bank" brand was popular among customers; the note business grew rapidly, with the realised gains of note transfer during the year amounted to RMB3.8 billion, representing a year-on-year increase of 52%.

2015 was a fruitful year in respect of the positioning of the internet finance business unit of Ping An Bank. Orange-e-Net became a powerful tool for business marketing, with 1.63 million existing registered users and 800,000 transaction customers, while the amount of annual network financing was more than RMB19 billion and the accumulated transaction volume of all asset management businesses amounted to RMB83.6 billion; the interbank online platform of Hang E-Tong linked fifty thousands of other banks' branches all across China with its partners on the platform covering all administrative areas at provincial level in China except Hong Kong, Macau and Taiwan, the number of partnering institutions amounting to 515, and an online transaction volume of over RMB600 billion was recorded. The number of customer Ping An Orange (Ping An Direct Banking) exceeded 5 million, making it one of the most popular direct banks among the young generation. In 2015, the Internet of Things of Ping An Bank took off to become the first bank offering pledged products of financial current assets on the Internet of Things within the industry to extend the characteristics of non-current assets to current assets with an aim to promote transformation in the traditional supply chain of finance, which sowed the preliminary advantages in the financial field of the Internet of Things.

2016 marks the beginning of the "13th Five-Year Plan", a year critical to the structural transformation of the state economy, the implementation of the "moderate prosperity for all" program and the facilitation of supply-side reform, as well as a year favorable to the deepening of financial reforms in China. At this backdrop, the banking industry faces historical opportunities and challenges unprecedented over the 30 years. Looking forward, in 2016, Ping An Bank will uphold its strategies, focus on the enhancement of quality and efficiency, promote the transformation in branches, deepen reforms in management departments, transform the business model through reformation, bring forth differential advantages through innovation and embrace the opportunities in the strategic development of the state in order to build reputation on boutique finance, smart finance, eco-friendly finance, thereby delivering satisfactory results to the shareholders, society and customers alike.

Chairman: SUN Jianyi

President: Shao Ping

Chairman of Supervisory Committee

Qiu Wei

PING AN BANK Chairman of Supervisory Committee

In 2015, confronted with complex and ever-changing economic-financial environment, Ping An Bank remained proactive and perseverant—by implementing the four main operational strategies of "professional operation, intensive management, internet finance and integrated finance," Ping An Bank attained outstanding business achievement, and accomplished unprecedented breakthroughs.

In past year the Supervisory Board had been, according to the requirements of regulatory authorities and our own functions, alertly watching over Ping An Bank's risk control, financial management, internal compliance, and crime prevention. Furthermore, it has constructed a more comprehensive supervisory system, which is comprised of the supervision through meetings, continuous rounds of supervision, checking and evaluation, communication and interview, and daily information collection. In the past year, we submitted to the Board of Directors and management staff more than 160 supervision-related opinions and suggestions, which positively fostered stable business development, reinforced risk control, and optimized corporate governance of Ping An bank.

2016 is the launching year of Ping An bank's three-year strategic plan. The Supervisory Board will, as in the past, properly fulfill responsibilities of supervision, by continuing to strengthen the supervision of aspects such as internal risk control, crime prevention and compliance, financial management, as well as ensuring that the "Director-Supervisor-Senior Management Personnel" fulfill their responsibilities, which promote the well-being of the bank and make a bigger contribution to the bank's sustainable development.

Chief Supervisors: Qiu Wei

Overview of Ping An Bank's Awards in 2015

January

- *«Information Times»*

On January 7, Ping An Credit Card was granted "The Best Innovative Marketing Credit Card Award" in the financial industry ranking of Golden Lion Award held by Information Times.

- *Nanfang Media Group*

On January 8, "Fill with Free Oil" of "Refuel at 12% Discount" activity as an innovative marketing case was granted "All-Media Marketing Award of the Year" as the highest award by Nanfang Media Group in All-Media Marketing Summit in 2014.

- *«Guangzhou Daily»*

On January 16, Ping An Credit Card was granted "2014 Best Innovative Marketing Award of China Brands" in the 2014 (First) China Brand Ceremony organized by Guangzhou Daily.

- *SEEC and Hexun*

On January 17, the Bank was granted six industry awards, namely "Top Ten Influential Nationwide Commercial Bank of the Year", "Best Commercial Bank on Innovative Product of the Year", "Most Competitive Financial Institution on Wealth Management of the Year", "Most Competitive Financial Institution on Micro-Finance Service of the Year", "The Listed Company with the Best Investment Potential of the Year" and "User Experience Award of Internet Banking of the Year" in the ceremony of 2014 Twelfth China Financial and Economic Ranking jointly held by SEEC and Hexun.

- *Reluxe Magazine*

On January 19, Ping An Credit Card was granted two awards, namely "Automobile Fans Consumer Banking Award" and "Family in growth Consumer Banking Award", in the "2014 First Gold Card Award" ceremony held by Reluxe Magazine of China UnionPay.

- *Eighth China Annual Conference of Internet Finance*

On January 23, "Orange-e-Net" was granted "2014 Innovative Award of Internet Finance in China" and "2014 Top Ten Influential Brands of Internet Finance Service in China" in the Eighth China Annual Conference of Internet Finance. Shao Ping, the President of Ping An Bank, was named "The Leader of Internet Finance in China of 2014"

February

- *China Foreign Exchange Trading System*

In February, China Foreign Exchange Trading System released the local currency market evaluation result of 2014, in which the treasury department of Ping An Bank was granted a number of awards including "Best Market Maker Award" and "Best Derivative Trading Award".

March

- *«National Business Daily»*

On March 15, the Bank was granted "Credible Brand Innovation Award of the Year" in the "2015 Credible Enterprise Ranking in China Consumer Market" organized by the National Business Daily.

- *«CHINAdvertising»*

In March, "Accompany with Gold and Return Home Safely" activity of Ping An Gold was named "2014 China Advertising Brand Marketing Award" in 2015 best advertising competition organized by CHINAdvertising.

- *Financial Contribution Award in China's Hundred Million Outbound Travel Headcount*

On March 31, Ping An Credit Card was granted "Financial Contribution Award in China's Hundred Million Outbound Travel Headcount" in the memorial ceremony of "China's Milestone of Hundred Million Outbound Travel Headcount".

April

- *China UnionPay*

On April 8, Ping An Credit Card was granted "2014 Excellence Award of UnionPay Card Marketing Activity" and "2014 Excellence Award on Cooperation Promotion of UnionPay Card Products" by China UnionPay.

- *Sixth Golden Mouse Internet Marketing Summit*

On April 24, Ping An Gold was granted "Most Innovative Internet Marketing Brand" and "Weixin Marketing Bronze Prize" in the Sixth Golden Mouse Internet Marketing Summit by virtue of "Gold Bank's Recruitment of Users for Service Experience" and "Accompany with Gold and Return Home Safely" activities.

May

- *«Shanghai Securities News»*

On May 28, Ping An Bank was pleased to win two awards in the Seventh Wealth Management Gold Award Ceremony organized by Shanghai Securities News, in which "Ping An Wealth" Brand was awarded "Outstanding Bank Wealth Management Brand Award" and the Wealth Management Products of Monthly Net Value Growth were honored with "Best RMB Wealth Management Product Award".

■ *《Banker》*

On May 30, "2015 China Financial Innovation Forum" and "2015 China Financial Innovation Award Ceremony" were held by the Banker Magazine in Beijing. Ping An Bank was granted comprehensive award of "Best Financial Innovation Award" and "Orange-e-Net" and "Ping An Pocket Banking" were granted " Top Ten Financial Product Innovation Award" and "Ping An Orange" (Direct Banking) was granted "Best Ten Internet Finance Innovation Award".

June

■ *China e-Business Innovation Promotion Alliance*

On June 17, the Second Online Supply Chain Finance Promotion Conference was held by China e-Business Innovation Promotion Alliance in Beijing, where "Free Loan Project of Haier's distributors' purchasing activities" of Ping An Bank was granted "Excellent Case Award of Online Supply Chain Finance".

■ *IF Golden Thumb*

On June 27, 2015IF Golden Thumb "Internet+Finance" Innovation·Start-up·New Business Summit was held by Sina Shenzhen Finance / Internet Finance and International Information Research Institute of National Information Center in Shenzhen, where the three products such as "Ping An Gold Orange Manager 2.0", "Ping An Orange" "Orange-e-Net" were granted the award of "Internet+New Business Platform of 2015IF Internet+Financial Summit" respectively.

■ *《Securities News》*

The Bank won the award of "2015 Best Structured Wealth Management Products of Banking Group" and Ping An Wealth was granted the award of "2015 Best Wealth Management Brand of Banking Group" in 2015 Best Wealth Management Institutions Selection by Shanghai Securities News.

July

■ *Sina Finance*

On July 9, the Third "2015 Banking Industry Development Forum and Award Ceremony of Industry Players Selection" was held by Sina Finance in Beijing. Shao Ping, the President of Ping An Bank, was named "The Emerging Banker of the Year". Ping An Pocket Banking was granted the award of "Innovative Phone Banking of the Year".

■ *Tiger Roar Award (虎啸奖)*

In July, "Youth that Never Fades and Let's Gather at Christmas Eve" of Ping An Credit Card's 2014 brand activities was granted the Tiger Roar Award (虎啸奖) for China Traditional Media of Financial-typed Excellence Case in the Sixth Tiger Roar Award Ceremony and the Ninth Tiger Roar Summit

■ *《Investor Journal》*

On July 20, the Bank was named "The Bank with the Best Investment Value" in the Second Best Bank Selection organized by the Investor Journal.

■ *Gold Cow website*

In July, "Ping An Wealth" Heying Asset Management series products was granted "2015 Gold Cow Wealth Management Product (Non-Principal Protective Type of Floating Return)" Award by the Gold Cow website.

August

■ *《21st Century Business Herald》*

On August 1, the Bank was granted "2015 Best Strategically Innovative Bank" in 2015 China Asset Management Annual Conference and Golden-shell Award Ceremony organized by the 21st Century Business Herald.

September

■ *《Banker》*

On September 16, the Bank was ranked No. 3 in the ranking of "Core Competitiveness of Nationwide Commercial Banks" and granted "Best Product Innovation Bank" Award in the "Chinese Banker Forum and Release Conference of Competitiveness Evaluation Report of China Commercial Banking Industry" organized by The Banker.

■ *《Euromoney》*

On September 22, the Bank won "China Best Structured Product Issuer" Award for a consecutive year and the runner-up of "Asia Best Structured Product Issuer" Award by Retail Structured Product of Euromoney in the Second Asia Annual Summit and Award Ceremony held in Hong Kong.

October

■ *《Fortune》*

On October 22, the Bank was granted "Best Risk Management Company of First-year Listed Companies" Award in Fortune CEO Summit held by The Fortune.

Twenty-first Century Media and Twenty-first Century Business Review

On October 30, the Bank won "China Best Brand Building Case" Award in "2015 China Brand Value Chain Management Forum" and "Eleventh China Best Brand Building Case" Award Ceremony jointly organized by Twenty-first Century Media and Twenty-first Century Business Review in Shanghai. Meanwhile, Orange-e-Net was granted "Best Innovative Marketing Award" of "China Brand Building Case Award".

November

- *Thirteenth China Finance and Economic Ranking*

  In November, Gold Bank was named "Most Internet-based Financial Product" in "Thirteenth China Finance and Economic Ranking" in 2015.

- *《China Quality Daily》*

  In November, "Gold Bank" was named "Most Charming Brand" in the top quality selection in 2015 by the China Quality Daily.

- *《Shanghai Securities News》*

  On November 12, "Finance of Internet of Things" was granted the "Outstanding Technological Innovation Award" in Internet Finance Summit and Second "Link between Gold and Internet" Award Ceremony organized by Shanghai Securities News.

- *Shenzhen Banking Association*

  On November 20, Ping An Bank was named "2015 Advanced Unit in information publicity in Shenzhen Banking Industry" by Shenzhen Banking Association.

- *《Southern Metropolis Daily》*

  On November 26, Ping An Bank won three awards, namely Best Bank of the Year, "Best Banking Experience Award" for our "Your privileges+" under Ping An Wealth Management Equity and Financial Innovative Banking Award of the Year for Ping An Shenzhen Branch, in 2015 (First) China Financial Annual Conference jointly organized by Southern Metropolis Daily and Peking University HSBC Business School.

- *21st Century Annual Finance Summit of Asia*

  On November 27, the Bank won "2015 Internet Finance Innovation Award" in the "2015 competitiveness ranking report of Asian banks" released in the Tenth 21st Century Annual Finance Summit of Asia in Beijing.

December

- *《Economic Observer》*

  On December 4, the Bank won two awards, namely'Outstanding Innovative Bank of the Year" and "The Bank of Outstanding Forex Derivative Products and Service of the Year" in "2014-2015 China Outstanding Finance Award" selection organized by the Economic Observer.

- *CBN*

  On December 11, the Bank won the "Best Joint Stock Commercial Bank of the Year" and "Best Innovation Bank in Wealth Management Products" in "2015 CBN Financial Value Chain Selection" organized by CBN.

- *JRJ.com*

  On December 17, the Bank won four awards, namely "Outstanding Chinese Bank Award", "Outstanding Retail Bank", "Outstanding Mobile Banking Brand Award" and "Excellent Wealth Management Product Award" in the "2015 Annual Forum of Pilot Financial Industry and Fourth Annual Selection Award Ceremony" organized by JRJ.com.

- *《Financial Times》*

  On December 18, the Bank won "Best Joint Stock Bank of the Year" for second consecutive year and "Top Ten Internet Finance Innovation Bank" in the "Golden Dragon Prize in the 2015 Chinese Financial Institution Gold Medal List" organized by the Financial Times and the awards were officially presented in Financial Times Annual Conference.

- *Eastmoney.com*

  On December 18, the Bank won two awards, namely "Best Bank on Wealth Management" and "Best Bank on Financial Derivatives" in 2015 "Eastmoney Ranking" Award Ceremony organized by Eastmoney.com in Shenzhen.

- *《China Business Journal》*

  In December, the Bank won "2015 Outstanding Competitive and Innovative Financial Institutions" Award in the "2015 (Seventh) Outstanding Competitive Financial Institutions" selection organized by China Business Journal.

- *《National Business Daily》*

  In December, Orange-e-Net of the Bank was granted "Most popular Internet Finance Brand" Award and "Finance of Internet of Things" granted "Best Financial Product Innovation of the Year" Award in 2015 Golden Tripod selection organized by National Business Daily.

Business Highlights

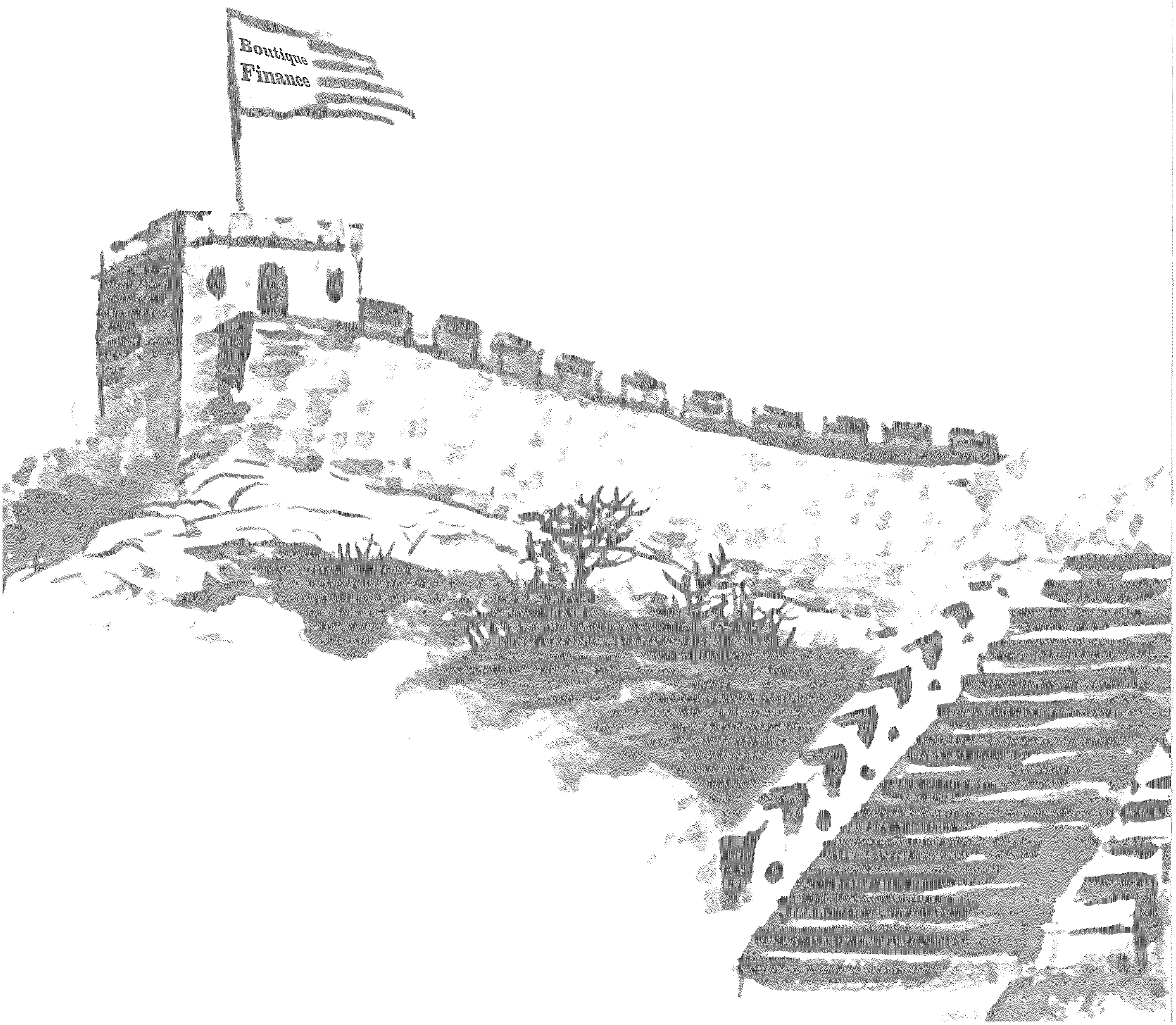
Investment Banking Business

I.The scale of corporate business lines growing robustly, with the rank of market share increasing steadily

Corporate operation is growing steadily in terms of scale and profit. With effective operational transformation, it has been marching on the path of specialization, intensification, integrated finance and internet finance. By the end of 2015, the corporate deposit balance was over RMB1,326 billion, which was better than major counterparts and reaching the second echelon; the revenue and intermediate income has been growing rapidly for three consecutive years, with accumulated intermediate income of RMB14.3 billion for the whole year and the compound growth rate over three years was 75% while intermediate income accounted for 33% (tripled in three years), leading the counterparts in the industry.

Corporate deposits balance was over

1,326 billion



II. Starting a new chapter for the corporate internet finance by seizing the trend of the internet

The Company's corporate internet finance business has been devoted to building Orange-e-Net platform and insisted on providing "supply chain finance + Internet finance" as the strategic positioning, focusing on the productive service sectors while planning for business application in the industry ecosystem. In 2015, Orange-e-Net platform strategy paid off with net operating income of RMB10.2 billion, representing a year on year growth of 55.15%; the number of users increased significantly with registered clients of 1.625 million.

III.Continuous innovating and upgrading trade finance to stay at the leading edge

Through continuously strengthening trade finance business innovation and optimizing the model, the strategic planning was established in key business areas such as Internet of Things finance, cross-border finance and factoring. The core competitiveness was then further manifested and the scale of business and comprehensive benefits were gradually enhanced. The net operating income of the whole year was RMB9.716 billion, a year on year increase of 28.3%, while the asset quality remained at a sound level.

The net operating income of the whole year was RMB

9.716 billion

IV. Active innovation in offshore finance considerably strengthening profitability

The ability to innovate in offshore finance was enhanced significantly with four major offshore financial product systems and more importance was attached to financing for overseas mergers and acquisitions and for privatization of offshore-listed Chinese stocks. Meanwhile, the scale of offshore interest-earning assets ranked the first among offshore Chinese banks. Offshore daily average deposit, daily average loans, net operating income grew year on year by 46.44%, 52.32%, 40.08% respectively, enhancing the profitability notably.

V. Specialization and intensification in professionalized industry business units achieving effectiveness

During the reporting period, the operating income of the industry business units was RMB13.140 billion and the deposit balance was RMB265.7 billion, becoming main drivers for Ping An Bank to achieve rapid growth. The Bank's specialized operation and intensified management were ahead of other players in the industry, representing enormous benefit upon transformation.

The operating income of the industry business units was RMB

77.1 billion

Business Highlights

Small Enterprise Financial Services

I.Solid foundation and innovative development continuing to expand the coverage of clients

In 2015, by focusing on traditional tangible commercial business, the Bank remained stable while achieved improvement and reinforced the risk management during the economic downturn; through innovatively structured batch development models for headquarters-to-headquarters cooperation and flow-shop approval, it proactively expanded the variety of platforms and the client base of upper and lower industry chain. As of the end of 2015, the Bank accumulated over 400 platforms and industry chain projects and credit amount of over RMB5.4 billion, involving various industry value chains of logistics, supermarkets, home appliances, brand distribution as well as platforms of e-merchants, third-party information and data.

II. Accelerating the integration with internet to enhance the efficiency of financial services and client experience

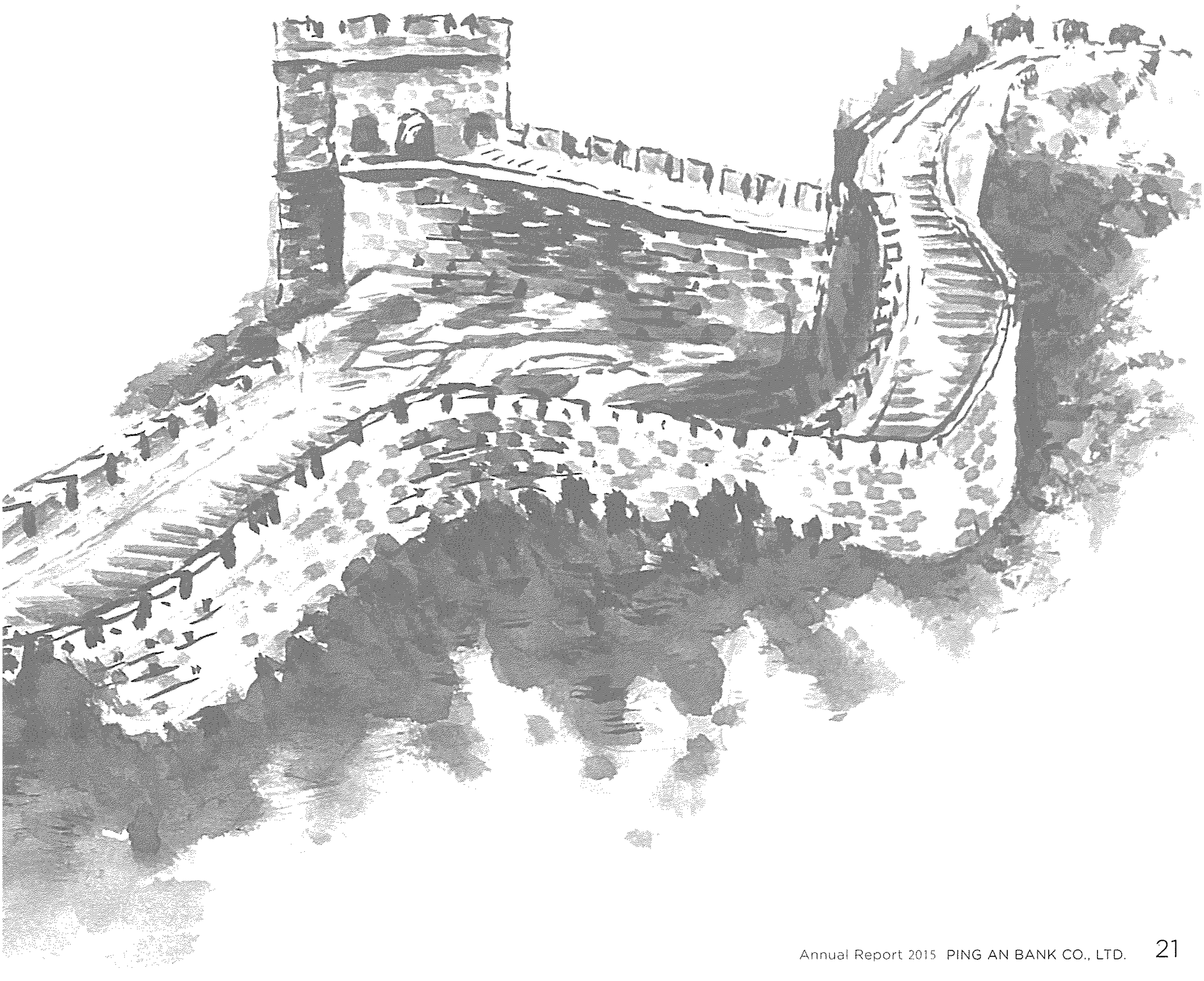
Overall upgrade and transformation of online services through promoting mobile service channels such as online banking, mobile phones, Wechat, APP, IPAD, SMS and phones to form a service circle of mobile internet. Over 95% of the clients using Dai Dai Ping An conducted their transactions through internet channels. Through strengthened internet new tools and new mindset, the mobile integrated PAD tools and iClient customer management system were continuously optimized; through establishing the "precision marketing platform", the marketing precision was enhanced; through Wechat dissemination and "We Media" marketing of mobile internet, the efficiency of brand popularization was effectively enhanced.

III. Deepening comprehensive financial services using Dai Dai Ping An as the platform

Based on the core objectives of Dai Dai Ping An, credit business of differentiated services such as Fang Yi Dai, invoice-based loan products and customized Dai Dai products specialized for small and medium enterprises were developed; clients are provided with non-financing services such as industry information and high-end forums and a service platform was established for high-end clients through Dai Dai Ping An Black Diamond Card.

IV. Building small enterprise finance business supported by advanced technology and system platform

The Bank continued to establish a credit factory to strengthen Big Data platform construction and promote the ability of data utilization; through strengthening model risk control and whole process risk control, the robust development of small enterprise finance was driven by the power of technology.



Business Highlights

Treasury and Interbank Business

I.By developing the Hang-E-Tong brand and enriching its online products, annual sales have broken through trillion

The Hang-E-Tong interbank integrated financial service platform maintains rapid development with over 1 trillion transactions and more than 500 clients for the year of 2015. The platform is constantly being upgraded and the 3.0 version is officially released. The new version runs both B2B and B2B2C modes and has developed new channels such as mobile applications, broadening the range of online trading products. With the help of financial superiority of the Ping An Group, the Bank will develop the Hang-E-Tong platform into a smart platform focusing on inter-bank customer operations, product trading, information release, business interaction and data mining with the features of product sharing, connection of institutions and open drainage, making it the pioneer of superb inter-bank integrated online trading platform.

II. With constant innovation in the financial market, the brand influence of "Gold Bank" and "Option Expert" are increasing

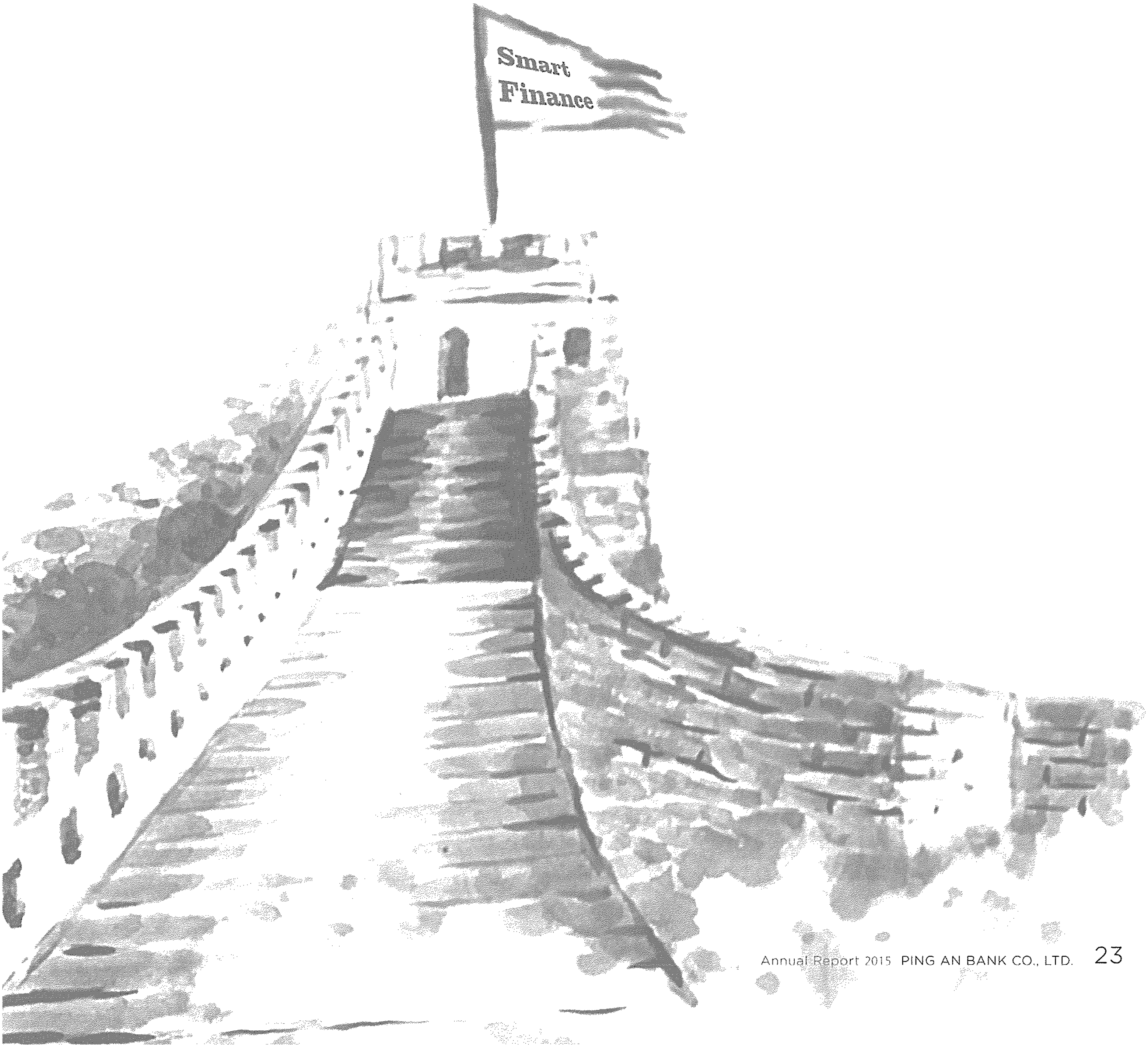
With increased brand influence of "Gold Bank", Ping An Bank has introduced new products including Cun Jin Tong, Gold Account, Gold Linking Industry Fund, Gold Options and Gold Extension, and has entered into the exclusive right of precious metals agreement with CSL. Innovative products such as Gou Hui Bao, Euro Loan, buy-write option pairs and ranged forward currency settlement have been launched; products such as forward currency, Capped Forward Currency and narrow-ranged hedging currency option pairs are promoted to satisfy risk-aversion needs of clients and further enhance its reputation as an "Option Expert".

III. Outstanding note management has been continuously gaining market recognition

The "interest-rate risk index model", being the first of its kind in the industry, allows quantitative management towards interest-rate risk to be implemented for the first time; through setting up the back domain concentration center and closed-loop control of the note system, level of risk control has been enhanced comprehensively and at the same time, transaction volume has also increased significantly, becoming a wind vane to its counterparts in the industry; activities regarding special subjects such as the "Note Forum" was organized to strengthen the market influence of Ping An and constantly improve the brand image of Ping An's notes; with the ability of internal market-making of Ping An Notes actively brought into play, financial resources fully integrated and exploration of note transformation on the internet, the innovative transformation of note business into light capital and light assets shall be achieved.

IV. Scale of asset management has been growing rapidly and product transformation has achieved initial success

In 2015, there was a drastic development in the asset management business. By the end of the year, the AMU doubled as compared with that at the beginning of the year, leading its industry peers. Product transformation paid off, with products of net value type enriching and the proportion of them stably increased to 10%. The "Growing Family" series has been successfully developed into a focal brand of net-worth-type products and widely recognized by investors, laying a good foundation for further promotion of product transformation and returning to the nature as a finance agency. With constant increase in the ability of asset management and expansion of variety of investments, equity investment items with the quality has been increasing and optimizing and in turn brought better investment results, giving back to the investors who recognize our asset management ability and support us.



Business Highlights

Retail Banking Business

In 2015, the Bank continued to deepen reform of business units in the retail business, leveraged the comprehensive financial advantages of Ping An Group, and further consolidated its basis of the retail business. As of the end of the reporting period, balance of retail deposits grew by 10.91% as compared with that at the beginning of the year; the balance of retail loans (including credit cards) increased by 14.58% compared to the beginning of the year; individual customer assets under management grew rapidly and the balance at the period end exceeded RMB660 billion, representing a growth rate of 32.9% as compared with the beginning of the year.

I.Promotion of Customer Migration by Comprehensive Finance Attained Significant Results

By continuing to take full advantage of the internal and external resources of the Group and the Bank, the migration platform made a contribution of 3.93 million new clients in 2015. Client in the Comprehensive Channel Expanding Wealth Year-round program increased by 20800 as compared with the beginning of the year, and customer assets grew by RMB47.9 billion.

Assets of customers developed by the integrated channel increased RMB

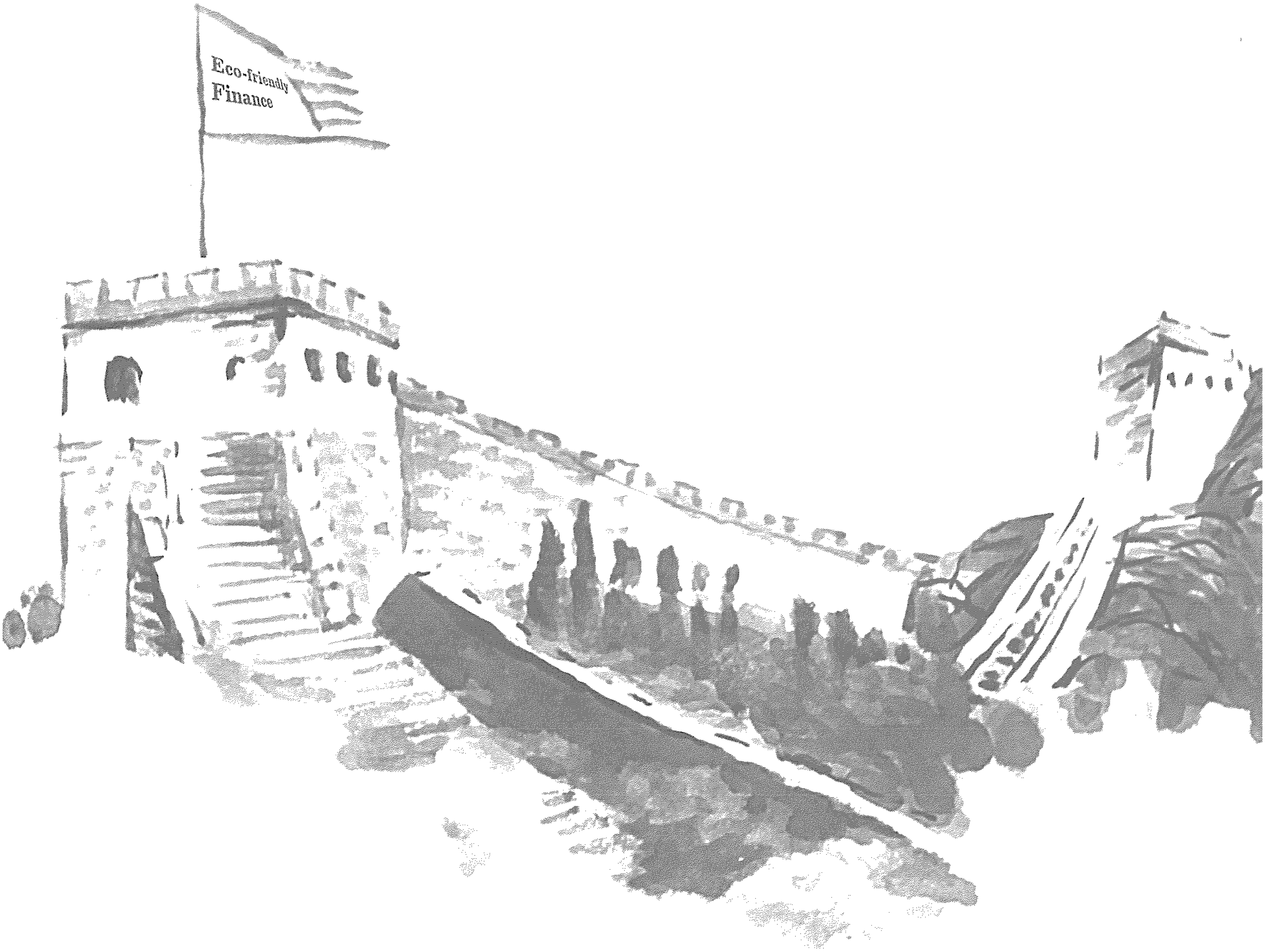
47.9 billion

II. New Channel Establishment Accelerated and Initial Result Manifested

Channels such as private bank, wealth management, community banking and internet finance developed steadily and rapidly. Client's assets under management under our private banking as of the year end exceeded RMB250 billion, representing an increase of 64% compared to the beginning of the year. Wealth management business had made achievements in various aspects such as interest penetration of clients of wealth management, construction of marketing platform, establishment of wealth management brand and upgrade in client service capability. The total number of community branches was 304, of which 119 managed assets over RMB 100 million. The number of online banking users accumulated to 10.09 million, which represented an increase of 39% as compared to the beginning of the year. The number of Pocket Banking users amounted to 13.95 million, which represented a growth of 158% compared with that of the beginning of the year. The number of Ping An Orange customers amounted to 5.06 million, representing an increase of 883% from the beginning of the year.

III. Splendid Performance of Wealth Management Products with Continually Enriching Product Mix

Ping An Bank, with its diversity of wealth management products, superior product returns and good market reputation, was named in 2015 "Asia Best Structured Product Issuer" and "China Best Structured Product Issuer" by the authoritative international magazine Euromoney, as well as the seventh "Golden Money" Outstanding Bank Wealth Management Brand Award and Best RMB Wealth Management Product Award by Shanghai Securities News.



IV. Asset Financing Business such as Credit Cards, Automobile Finance and Consumer Finance Grew Steadily and Healthily

The newly added credit card issuance amounted to 6.74 million, with total transaction amount of RMB806.9 billion, resulting in a year-on-year rise of 31%. The annual loan of automobile finance business totaled RMB59.6 billion, representing a year-on-year rise of 14%. Newly issued loan in consumer finance amounted to RMB61.742 billion, and has further expanded services such as asset-backed mortgage.

Total transactions amounting to RMB

806.9 billion

Management Discussion and Analysis

I. Overview of the operations during the reporting period

In 2015, the domestic economy entered into a "new normal" of "structural adjustment and steady growth". The central bank continued to implement prudent monetary policies by lowering interest rates and required reserve ratio five times during the year, while the completion of the interest rate liberalization process further narrowed the interest spread for banks. At the same time, the formal launching of a deposit insurance system, the on-going heating up of internet finance and market access liberalization for non-state-owned banks brought great challenges for banking operations.

In face of opportunities and challenges, the Bank launched the intelligent business model, adhering to the four main business strategies of "professional operation, intensive development, integrated finance, and Internet finance" to insist in the Bank's transformation, innovation and development. Implementing a professional management and improving the operation systems of business divisions brought distinctive characteristics to the Bank's operation. In promoting intensive development, changes in our organizational structure were made according to the requirements of the banking processes, streamlining the business processes and systems and unifying the business model to promote bulk acquisition of customers. Through a variety of financial instruments used by investment banks, the Bank strived to provide customers with comprehensive financing solutions. In integrated finance, the Bank's resources in customers, products, channels, platforms and the Internet were fully utilized to provide customers with a one-stop integrated financial services. In Internet finance, the Bank strengthened the building of Internet finance platforms such as Orange-e-Net, Ping An Orange (Ping An Direct Banking), Hang E-Tong and Pocket Banking, continuing to enhance our customer experience.

The Bank rapidly grew in size with a significantly optimized structure and continuously enhanced efficiency. Its profitability remained robust and the strengthened risk control continued to create a "unique" brand image. The Bank received the Golden Dragon Prize in the "2015 Chinese Financial Institution Gold Medal List" jointly organized by the Financial Times and the Institute of Finance and banking of the Chinese Academy of Social Sciences. The Bank again won the "Best Joint Stock Banking Corporation of the Year" and also was awarded the "Top Ten Internet Finance Innovation Bank".

In 2015, the Bank's operations had the following characteristics:

1. Rapid expansion and stable profits

As at the end of 2015, the Bank's total assets amounted to RMB2,507.149 billion, representing an increase of 14.67% as compared with that at the beginning of the year. Deposits showed a strong growth and deposit balance was RMB1,733.921 billion, representing an increase of RMB200.738 billion or 13.09% as compared with that at the beginning of the year, outperforming its industry peers in this regard and its market share expanded accordingly. The Bank actively promoted its quality projects and accelerated efforts in loans to adapt to market changes, resulting in a leading growth position in loans among other market players. Customer loan balance (including discounted bills) amounted to RMB1,216.138 billion, representing an increase of 18.68% from the beginning of the year.

Operating income for 2015 amounted to RMB96.163 billion, representing an increase of 31.00% as compared to the previous year. Net non-interest income amounted to RMB30.064 billion, representing an increase of 47.65% as compared to the previous year. Operating profit before provision amounted to RMB59.38 billion, representing an increase of 43.93% as compared to the previous year. Net profit amounted to RMB21.865 billion, representing an increase of 10.42% as compared to the previous year. This continued two-digit growth rate led to stable profitability.

2. Significantly improved structure and efficiency

The Bank positively responded to the interest rate liberalisation by restructuring assets and liabilities and developing new interbank businesses, resulting in significantly improved business structure and efficiency.

The Bank flexibly adjusted the asset and liability business management policies to optimise the liability structure. For liability, it exercised control over high-cost liabilities and reduced the average cost rate of interest-bearing liabilities by 0.49 percentage point in 2015 as compared to last year. For the assets, the ratio of credit assets increased by 1.65 percentage points as compared to last year, particularly higher yield products including loans to yuppies, auto loans, credit cards and Dai Dai Card loans resulting in significantly higher operational efficiency.

Another new record for non-interest income as a percentage of operating income: Net non-interest income for 2015 amounted to RMB30.064 billion, accounting for 31.26% of the operating income as compared with 27.74% in the previous year, mainly attributable to the growth of, among other things, investment banking business, custody business, credit card business, wealth management and gold-related business.

Interest spread increased against the market trend. Since November 2014, the central bank cut the interest rate for six times and lowered the required reserve ratio for five times, resulting in a overall narrower net interest spread. However, the interest spread of the Bank increased against the market trend with net interest spread at 2.63% and net interest margin at 2.77%, representing an increase of 0.23 percentage point and 0.20 percentage point respectively.

Output-to-input ratio significantly improved. The cost to income ratio (before business tax) of the Bank was 31.31% for 2015, down 5.02% and outperforming the sector.

3. Efforts in sector funds to capitalise on the mega asset management era

Seizing opportunities brought by national policies and industries' restructuring, the Bank put great efforts in developing sector funds to capitalise on the mega asset management era and the mega investment banking era and made substantial contribution to the size, efficiency enhancement and customers' upgrade.

For sector funds, the Bank focused on developing supply chain and industry leader customers with whom it could forge strategic cooperation and developed sector funds for infrastructure construction, investment in PPP projects, placement by listed companies and overseas mergers and acquisitions with focus on strategic regions and key supported industries set by the Chinese government under the One Belt and One Road policy.

For investment banking, the Bank commenced the new bond sales mode incorporating the Internet Plus in its bond underwriting business, with bonds of RMB132.95 billion underwritten for the year, an increase of 45.10% as compared to the previous year. For asset securitisation, it successfully completed two issues of asset securitisation products, which expanded the scope of underlying assets for such business and established a corporate asset securitisation project. As for custody, the Bank had net assets of RMB3.69 trillion under its custody as at the end of 2015, up 105% from the beginning of the year, generating relevant fee of RMB2.939 billion, which increased by 109.18% as compared to the previous year while establishing its brand effect in the market.

For its assets management business, the Bank accelerated product innovation and successfully launched the first wealth management product series in China linked to the banking index - Ping An Index. There were assets of RMB741.8 billion under its management as at the end of 2015, up 130% from the beginning of the year.

4. Establishing new business units to accelerate the presence along the industry chain

Since 2013, the Bank has set up six industry business units, and is currently planning to set up the electronics and information industry finance business unit and the equipment manufacturing industry finance business unit. The establishment of these new business units, together with the industry chain financial services covering nine industries, will achieve "full coverage" for the Bank.

Management Discussion and Analysis

I. Overview of the operations during the reporting period(Continued)

4. Establishing new business units to accelerate the presence along the industry chain(Continued)

The real estate finance unit adhered to the principle of working with the mainstream customers of the industry, expanding the coverage of the largest hundred real estate developers in continuing to promote the "investment bank-like" process. The energy and mining finance unit newly established an industry merger and acquisition fund and a green energy industry fund, and successfully issued the first perpetual medium-term notes with the Bank as the independent main underwriter. The transportation finance unit made a breakthrough in Internet of Things finance in the field of automotive supply chain, creating innovative brands in auto parts financing, policy financing products and aircraft trading, and gradually establishing a professional product system, setting up the "Golden Orange· Transportation Finance Club" with a first batch of 86 corporate members. The newly established healthcare, culture and travel finance unit launched the Ping An Wen Lu Hui, bringing innovation to the traditional bank-enterprise cooperation model. By incorporating the characteristics of the logistics industry and focusing on the core customers, the modern logistics finance unit designed industry fund solutions targeted at the upstream and downstream supply chain. The modern agricultural finance unit established the "Golden Orange Ping An Agriculture Club", with the member enterprises expanding to 60 from 26 at its inception.

5. Accelerated financial innovation to feature internet finance

In response to market changes, the Bank accelerated product and business innovation, thereby further "distinguishing" itself.

(1) Innovation in platforms

The Bank had a fruitful harvest in internet finance. Orange-e-Net currently has 1.63 million users registered and granted facilities of over RMB21.0 billion in the year. With the rising of the Internet of Things, the Bank launched the first series of personal property-backed financing products through the Internet of Things, which was conducive to reforms of traditional supply chain finance by incorporating finance into commodities. The interbank online platform of Hang E-Tong linked ten thousands of other banks' branches and recorded online transaction volume of over RMB600 billion. Pocket Bank (Mobile Banking) had 13.95 million users in total, increased by 158% over the beginning of the year, and launched innovative functions such as community O2O, hand signalling login, OTP auto-reading, configuration of transfers to credible accounts and the first intelligent speech recognition function in the industry. Ping An Orange (Ping An Direct Banking), which committed to becoming the "young's bank" by providing simple, fun and profit-making online financial services, served over 5 million customers.

(2) Business innovation

With respect to offshore finance, the Bank enhanced its four major product systems of offshore investment and finance, offshore inter-bank finance, domestic resident company offshore finance and offshore trade finance, and pushed forward with financing for overseas mergers acquisitions and financing for privatisation, which effectively enhanced market share. At the end of the period, outstanding offshore loans amounted to USD9.7 billion, which increased by 26.8% over the beginning of the year and was among the upper half among the four offshore Chinese banks.

For free trade zone business, the policy opportunities emerging from the Renminbi internationalisation, the free-up of capital account transactions and the free trade zone reform, the Bank made active promotion of foreign derivatives and cross-border investment and financing businesses and constructed cross-border online business platforms to enhance service quality and efficiency.

(3) Qualifications and licences

In 2015, the Bank obtained the qualification for issuing wholesale certificates of deposit and was among the first to be qualified as a direct investor under the Renminbi cross-border inter-bank payments system (CIPS), thereby laying a solid foundation for business expansion.

6. Strengthened risk control to cope with challenges in the market

The Bank actively met various challenges, implemented comprehensive risk management, supported real economy and ensured sound operation. As at the end of 2015, loan loss reserve to total loans was 2.41%, up by 0.35 percentage points as compared with that at the beginning of the year. NPL rate was 1.45%, where provision coverage was 165.86%. In 2015, the Bank disposed of non-performing assets totalling RMB5.947 billion, including credit assets (loans granted and advances) of RMB5.637 billion, which was a significant result.

In order to cope with volatility in the financial market, the Bank strengthened its asset and liability management by optimising its asset-and-liability structure and regulation of risk tolerance and benchmark quotas, constructing a comprehensive management model for liquidity risk and exercised rigorous control over market risks, which led to overall stable operation.

7. Capital replenishment and more branches to polish brand image

The Bank completed a RMB10 billion private placement of ordinary shares, the proceeds from which were all used to replenish its working capital. It also actively promoted a private placement of preference shares to support its business development.

By continuing to optimise its branches, the Bank accelerated its pace of acquisitive growth. In 2015, it had an addition of 250 branches, bringing the total to 997.

Management Discussion and Analysis

II. Principal operation analysis

(I) Overview

Is it as same as the disclosures in the overview under management discussion and analysis

√ Yes ☐ No

Please refer to "I. Overview" under "Management discussion and analysis".

(II) Analysis of income statement items

1. Composition of and changes in operating income

(In RMB million)

Item	2015 Amount	2015 %	2014 Amount	2014 %	Year-on-year change
Net interest income	66,099	68.74%	53,046	72.26%	24.61%
Interest income from placement at Central Bank	4,206	3.19%	3,885	3.26%	8.26%
Interest income from transactions with financial institutions	12,660	9.62%	20,422	17.13%	(38.01%)
Including: Interest income from inter-bank borrowing	4,179	3.17%	3,642	3.06%	14.74%
Interest income from inter-bank lending	1,188	0.90%	1,176	0.99%	1.02%
Interest income from disbursement of loans and advances	86,140	65.43%	71,270	59.79%	20.86%
Interest income from investment	28,271	21.47%	23,179	19.45%	21.97%
Other interest income	372	0.29%	446	0.37%	(16.59%)
Sub-total of interest income	131,649	100.00%	119,202	100.00%	10.44%
Interest expense on borrowings from the Central Bank	63	0.10%	37	0.06%	70.27%
Interest expense from transactions with financial institutions	17,238	26.30%	26,911	40.68%	(35.94%)
Deposit interest expense	42,763	65.24%	37,551	56.76%	13.88%
Bond interest expense payables	5,486	8.36%	1,657	2.50%	231.08%
Sub-total of interest expense	65,550	100.00%	66,156	100.00%	(0.92%)
Net fee and commission income	26,445	27.50%	17,378	23.67%	52.18%
Other net operating income	3,619	3.76%	2,983	4.07%	21.32%
Operating income	96,163	100.00%	73,407	100.00%	31.00%

(1) Net interest income

In 2015, the Bank recorded a net interest income of RMB66.099 billion, representing a year-on-year increase of 24.61% and accounting for 68.74% of operating income. The growth in net interest income was mainly due to the growth in interest-earning asset and interest spread.

The average balance, and average yield or average cost rate of the major asset and liability items

(In RMB million)

	January-December 2015			January-December 2014		
Item	Average daily balance	Interest income/ expense	Average yield/cost rate (%)	Average daily balance	Interest income/ expense	Average yield/cost rate (%)
Assets						
Disbursement of loans and advances(excluding discounted bills)	1,148,727	85,727	7.46%	926,824	70,962	7.66%
Bond investment	281,751	10,594	3.76%	221,710	9,186	4.14%
Due from Central Bank	287,495	4,206	1.46%	263,446	3,885	1.47%
Bills discounting and inter-bank business	663,532	30,750	4.63%	645,606	34,723	5.38%
Others	6,359	372	5.85%	7,009	446	6.36%
Total of interest-earning assets	2,387,864	131,649	5.51%	2,064,595	119,202	5.77%
Liabilities						
Deposit taking	1,665,643	42,763	2.57%	1,414,660	37,551	2.65%
Bonds issued	126,055	5,486	4.35%	27,717	1,657	5.98%
Including: Inter-bank deposits	105,940	4,126	3.89%	9,382	431	4.59%
Inter-bank business	484,795	17,301	3.57%	521,480	26,948	5.17%
Total of interest-bearing liabilities	2,276,493	65,550	2.88%	1,963,857	66,156	3.37%
Net interest income		66,099			53,046	
Deposit-loan spread			4.89%			5.01%
Net interest spread (NIS)			2.63%			2.40%
Net interest margin (NIM)			2.77%			2.57%

The Central Bank lowered the interest rates for six consecutive times since November 2014. It directly removed the upper limit of interest rates' floating range for deposits in its latest rate cut, thus further narrowing the deposit-loan interest spread for banks. The Bank continued to facilitate the structure adjustment and risk pricing management and improved its resources utilization. Hence, its deposit-loan interest spread decreased year on year, while the net interest spread and the net interest margin increased year on year in the sluggish market.

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(II) Analysis of income statement items(Continued)

1. Composition of and changes in operating income(Continued)

(In RMB million)

Item	October-December 2015 Average daily balance	October-December 2015 Interest income/ expense	October-December 2015 Average yield/cost rate (%)	July-September 2015 Average daily balance	July-September 2015 Interest income/ expense	July-September 2015 Average yield/cost rate (%)
Assets						
Disbursement of loans and advances(excluding discounted bills)	1,197,380	21,793	7.22%	1,188,720	22,065	7.36%
Bond investment	300,437	2,664	3.52%	288,954	2,657	3.65%
Due from Central Bank	286,572	1,058	1.46%	292,382	1,081	1.47%
Bills discounting and inter-bank business	667,067	6,853	4.08%	677,848	7,465	4.37%
Others	4,771	56	4.66%	6,506	93	5.67%
Total of interest-earning assets	2,456,227	32,424	5.24%	2,454,410	33,361	5.39%
Liabilities						
Deposit taking	1,761,184	10,008	2.25%	1,697,711	10,815	2.53%
Bonds issued	189,688	1,861	3.89%	148,328	1,546	4.14%
Including: Inter-bank deposits	169,573	1,518	3.55%	128,213	1,204	3.73%
Inter-bank business	383,865	2,662	2.75%	493,978	3,912	3.14%
Total of interest-bearing liabilities	2,334,737	14,531	2.47%	2,340,017	16,273	2.76%
Net interest income		17,893			17,088	
Deposit-loan spread			4.97%			4.83%
Net interest spread (NIS)			2.77%			2.63%
Net interest margin (NIM)			2.89%			2.76%

On a quarter-on-quarter basis, as affected by the continuous rate cut by Central Bank, the yield of different interest-earning assets and cost rate of interest-bearing liabilities of the Bank declined. However, thanks to continuous improvement of the customer structure and the business structure of the Bank, the deposit-loan spread, net interest spread and net interest margin increased quarter after quarter.

Average daily balance and yield of customer loans and advances

(In RMB million)

Item	January-December 2015 Average daily balance	January-December 2015 Interest income	January-December 2015 Average yield (%)	January-December 2014 Average daily balance	January-December 2014 Interest income	January-December 2014 Average yield (%)
Corporate loans (excluding discounted bills)	729,325	44,283	6.07%	564,126	36,923	6.55%
Personal loans	419,402	41,444	9.88%	362,698	34,039	9.38%
Disbursement of loans and advances (excluding discounted bills)	1,148,727	85,727	7.46%	926,824	70,962	7.66%

(In RMB million)

Item	October-December 2015 Average daily balance	October-December 2015 Interest income	October-December 2015 Average yield (%)	July-September 2015 Average daily balance	July-September 2015 Interest income	July-September 2015 Average yield (%)
Corporate loans (excluding discounted bills)	757,993	10,988	5.75%	762,242	11,517	5.99%
Personal loans	439,387	10,805	9.76%	426,478	10,548	9.81%
Disbursement of loans and advances (excluding discounted bills)	1,197,380	21,793	7.22%	1,188,720	22,065	7.36%

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(II) Analysis of income statement items(Continued)

Average daily balance and cost rate of customer deposits

(In RMB million)

	January-December 2015			January-December 2014		
Item	Average daily balance	Interest income	Average yield (%)	Average daily balance	Interest income	Average yield (%)
Corporate deposits	1,097,310	29,329	2.67%	909,159	25,045	2.75%
Including: Demand deposits	334,009	2,013	0.60%	289,681	2,007	0.69%
Time deposits	763,301	27,316	3.58%	619,478	23,038	3.72%
Including: Treasury and negotiated deposits	146,476	7,352	5.02%	105,206	5,679	5.40%
Margin deposits	330,271	7,734	2.34%	283,892	6,801	2.40%
Retail deposits	238,062	5,700	2.39%	221,609	5,705	2.57%
Including: Demand deposits	94,977	385	0.41%	81,421	393	0.48%
Time deposits	143,085	5,315	3.71%	140,188	5,312	3.79%
Deposits taking	1,665,643	42,763	2.57%	1,414,660	37,551	2.65%

(In RMB million)

	October-December 2015			July-September 2015		
Item	Average daily balance	Interest income	Average yield (%)	Average daily balance	Interest income	Average yield (%)
Corporate deposits	1,166,215	6,866	2.34%	1,135,611	7,634	2.67%
Including: demand deposits	391,814	528	0.53%	331,010	503	0.60%
Time deposits	774,401	6,338	3.25%	804,601	7,131	3.52%
Including: Treasury and negotiated deposits	160,737	1,918	4.73%	159,990	2,024	5.02%
Margin deposits	353,319	1,929	2.17%	326,014	1,855	2.26%
Retail deposits	241,650	1,213	1.99%	236,086	1,326	2.23%
Including: demand deposits	104,194	90	0.34%	97,189	101	0.41%
Time deposits	137,456	1,123	3.24%	138,897	1,225	3.50%
Total deposits	1,761,184	10,008	2.25%	1,697,711	10,815	2.53%

(2) Net fee income

In 2015, net non-interest income of the Bank was RMB30.064 billion with a year-on-year increase of 47.65%, of which net fee and commission income was RMB26.445 billion, increasing by 52.18% year-on-year. The growth of net fee and commission income is as follows:

(In RMB million)

Item	2015	2014	Year-on-year change
Settlement fee income	1,936	1,544	25.39%
Wealth management business fee income	3,421	1,967	73.92%
Agency and entrustment business fee income	4,747	2,947	61.08%
Bank card business fee income	9,207	6,780	35.80%
Consulting and advisory fee income	5,250	3,730	40.75%
Account management fee income	164	203	(19.21%)
Asset custody fee income	2,939	1,405	109.18%
Others	1,521	1,130	34.60%
Sub-total of fee income	29,185	19,706	48.10%
Agency business fee outlay	352	417	(15.59%)
Bank card fee outlay	2,156	1,765	22.15%
Others	232	146	58.90%
Sub-total of fee outlay	2,740	2,328	17.70%
Net fee and commission income	26,445	17,378	52.18%

In 2015, the Bank's businesses of investment banking and trusteeship grew rapidly and contributed to the substantial increase in non-interest income. Meanwhile, fee of the businesses of agency and settlement, credit card, wealth management and gold leasing performed satisfactorily.

(3) Other net operating income

Other net operating income includes investment gains, gains/losses in fair value changes, foreign exchange gains/losses and other business income. In 2015, other net operating income of the Bank was RMB3.619 billion, representing a year-on-year increase of 21.32%, primarily due to the increase in spreads of asset transfer and gains from precious metal investment.

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(II) Analysis of income statement items(Continued)

2. Operating and administrative expenses

In 2015, operating expenses of the Bank were RMB30.112 billion, representing an increase of 12.91% over the same period of last year. Cost/income ratio (excluding business tax) was 31.31%, representing a decrease of 5.02 percentage point over the same period of last year. The increase in operating expenses was mainly due to expansion of branches and business growth and continued investment in management. In 2014, there were five new branches and 214 new outlets of sub-branch level. In 2015, there were 11 new branches (including a branch upgraded from sub-branch), two specialized centers and 237 new outlets of sub-branch level. The increase in outlets resulted in rigid growth in operating expenses. Included in the operating expenses were staff expenses of RMB15.261 billion with an increase of 8.06% over the same period of last year, business expenses of RMB10.708 billion with an increase of 18.94% over the same period of last year, and depreciation, amortization and rental expenses of RMB4.143 billion with an increase of 16.97% over the same period of last year.

3. Asset impairment loss

(In RMB million)

Item	Provision in 2015	Provision in 2014	Year-on-year change
Due from banks	(2)	15	(113.33%)
Financial assets purchased under resale agreements	(1)	(7)	85.71%
Disbursement of loans and advances	29,867	14,614	104.37%
Held-to-maturity investments	(2)	1	(300.00%)
Receivables type investment	465	350	32.86%
Repossessed assets	35	(4)	975.00%
Others	123	42	192.86%
Total	30,485	15,011	103.08%

4. Income tax expenses

(In RMB million)

Item	2015	2014	Year-on-year change
Profit before tax	28,846	26,194	10.12%
Income tax expenses	6,981	6,392	9.21%
Effective income tax rate	24.20%	24.40%	-0.20 percentage point

5. Operating income and operating profit of principal operation by region

2015

(In RMB million)

Region	Operating income	Operating expenses	Operating profit before asset impairment loss	Percentage of operating profit before asset impairment loss by region
Eastern region	16,436	7,679	8,757	14.75%
Southern region	20,670	7,905	12,765	21.50%
Western region	8,427	3,267	5,160	8.69%
Northern region	15,857	6,289	9,568	16.11%
Headquarters	34,773	11,643	23,130	38.95%
Total	96,163	36,783	59,380	100.00%

2014

(In RMB million)

Region	Operating income	Operating expenses	Operating profit before asset impairment loss	Percentage of operating profit before asset impairment loss by region
Eastern region	14,948	6,910	8,038	19.48%
Southern region	17,947	7,134	10,813	26.21%
Western region	7,547	2,982	4,565	11.07%
Northern region	12,254	4,744	7,510	18.20%
Headquarters	20,711	10,380	10,331	25.04%
Total	73,407	32,150	41,257	100.00%

The regions and headquarters in the above table represent:

Eastern region: Shanghai branch, Hangzhou branch, Yiwu branch, Taizhou branch, Shaoxing branch, Ningbo branch, Wenzhou branch, Nanjing branch, Wuxi branch, Changzhou branch, Suzhou branch, Nantong branch, Fuzhou branch, Zhangzhou branch, Fujian Pilot Free Trade Zone Fuzhou Area branch, Xiamen branch, Fujian Pilot Free Trade Zone Xiamen Area branch, Quanzhou branch and Shanghai Pilot Free Trade Zone branch;

Southern region: Shenzhen branch, Guangzhou branch, Guangdong Pilot Free Trade Zone Nansha branch, Zhuhai branch, Guangdong Pilot Free Trade Zone Hengqin branch, Foshan branch, Dongguan branch, Huizhou branch, Zhongshan branch, Haikou branch and Changsha branch;

Western region: Chongqing branch, Chengdu branch, Leshan branch, Kunming branch, Honghe branch, Wuhan branch, Jinzhou branch, Xiangyang branch and Xian branch;

Northern region: Beijing branch, Dalian branch, Tianjin branch, Tianjin Pilot Free Trade Zone branch, Jinan branch, Linyi branch, Weifang branch, Dongying branch, Qingdao branch, Yantai branch, Zhengzhou branch, Luoyang branch, Shenyang branch, Shijiazhuang branch and Taiyuan branch;

Headquarters: Headquarter departments, including credit card center, capital operating center, special asset management center, financial institution department, asset management department and offshore banking department etc.

In the first quarter of 2015, the Bank reclassified the corresponding region of some branches. Haikou branch was reclassified as southern region from western region, while Xian branch was reclassified as western region from northern region. For the purpose of comparison, in respect of all statistics involved regional distribution in this report, corresponding adjustments were made on the statistics as at December 31, 2014 and for the year 2014.

Since the second half of 2014, pursuant to provisions as required by the Notice of the General Office of the China Banking Regulatory Commission on Regulating the Interbank Business Governance of Commercial Banks, the Bank conducted centralized accounting of certain interbank investment and financing business at headquarters.

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes

(In RMB million)

Item	December 31, 2015 Balance	December 31, 2015 %	December 31, 2014 Balance	December 31, 2014 %	Year-on-year change
Disbursement of loans and advances in total	1,216,138	48.51%	1,024,734	46.86%	18.68%
Provision for impairment of disbursement of loans and advances	(29,266)	(1.17%)	(21,097)	(0.96%)	38.72%
Disbursement of loans and advances, net	1,186,872	47.34%	1,003,637	45.90%	18.26%
Investment financial assets (Note)	603,468	24.07%	486,222	22.24%	24.11%
Cash and due from the Central Bank	291,715	11.64%	306,298	14.01%	(4.76%)
Precious metals	63,744	2.54%	45,254	2.07%	40.86%
Due from banks and other financial institutions	109,046	4.35%	66,969	3.06%	62.83%
Placements with banks and other financial institutions and assets purchased under resale agreements	193,927	7.73%	224,477	10.27%	(13.61%)
Account receivables	6,624	0.26%	9,925	0.45%	(33.26%)
Interest receivables	13,540	0.54%	11,937	0.55%	13.43%
Fixed assets	4,788	0.19%	3,812	0.17%	25.60%
Intangible assets	4,961	0.20%	5,293	0.24%	(6.27%)
Goodwill	7,568	0.30%	7,568	0.35%	-
Properties for investment purposes	212	0.01%	110	0.01%	92.73%
Deferred income tax assets	8,728	0.35%	6,834	0.31%	27.71%
Other assets	11,956	0.48%	8,123	0.37%	47.19%
Total assets	2,507,149	100.00%	2,186,459	100.00%	14.67%

Note: "Properties for investment purposes" included "financial assets held at fair value through profit or loss, derivative financial assets, available-for-sale financial assets, held-to-maturity investments, investment in receivables and long-term equity investments" under the balance sheet.

(1) Disbursement of loans and advances

Loans by products

(In RMB million)

Item	December 31, 2015 Balance	December 31, 2015 %	December 31, 2014 Balance	December 31, 2014 %	Year-on-year change
Corporate loans	774,996	63.72%	639,739	62.43%	21.14%
Including: General loans	761,331	62.60%	627,326	61.22%	21.36%
discounted bills	13,665	1.12%	12,413	1.21%	10.09%
Retail loans	293,402	24.13%	282,096	27.53%	4.01%
Including: Housing mortgage loans	45,967	3.78%	55,365	5.40%	(16.97%)
Entrepreneur loans	107,429	8.83%	116,875	11.41%	(8.08%)
Auto loans	78,635	6.47%	65,495	6.39%	20.06%
Others (Note)	61,371	5.05%	44,361	4.33%	38.34%
Credit card account receivables	147,740	12.15%	102,899	10.04%	43.58%
Disbursement of loans and advances in total	1,216,138	100.00%	1,024,734	100.00%	18.68%

Note: Other retail loans include "Xin Yi Dai", i.e. the loans to new yuppies, Certificate pledged consumption loan, Petty consumer loan and other guaranteed or pledged consumption loan.

Loans by region

(In RMB million)

Item	December 31, 2015 Balance	December 31, 2015 %	December 31, 2014 Balance	December 31, 2014 %	Year-on-year change
Eastern region	364,616	29.98%	312,713	30.51%	16.60%
Southern region	246,702	20.29%	250,483	24.44%	(1.51%)
Western region	171,371	14.09%	123,455	12.05%	38.81%
Northern region	222,427	18.29%	184,213	17.98%	20.74%
Headquarters	211,022	17.35%	153,870	15.02%	37.14%
Disbursement of loans and advances in total	1,216,138	100.00%	1,024,734	100.00%	18.68%

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes (Continued)

Loans by industry

(In RMB million)

Item	December 31, 2015 Balance	December 31, 2015 %	December 31, 2014 Balance	December 31, 2014 %	Year-on-year change
Agriculture, husbandry and fishery	14,197	1.17%	5,260	0.51%	169.90%
Mining (heavy industry)	65,599	5.39%	41,340	4.03%	58.68%
Manufacturing (light industry)	161,075	13.24%	142,876	13.94%	12.74%
Energy	16,472	1.35%	8,874	0.87%	85.62%
Transportation, postal and telecommunications	29,037	2.39%	25,491	2.49%	13.91%
Commerce	150,909	12.41%	151,532	14.79%	(0.41%)
Real estate	132,735	10.91%	98,855	9.65%	34.27%
Social service, technology, culture and healthcare	86,415	7.11%	64,894	6.33%	33.16%
Construction	50,420	4.15%	43,576	4.25%	15.71%
Discounted bills	13,665	1.12%	12,413	1.21%	10.09%
Retail loans (inclusive of credit cards)	441,142	36.27%	384,995	37.57%	14.58%
Others	54,472	4.49%	44,628	4.36%	22.06%
Disbursement of loans and advances in total	1,216,138	100.00%	1,024,734	100.00%	18.68%

Loans by guarantee type

(In RMB million)

Item	December 31, 2015 Balance	December 31, 2015 %	December 31, 2014 Balance	December 31, 2014 %	Y-o-Y change
Credit loans	349,528	28.74%	276,321	26.97%	26.49%
Guaranteed loans	230,430	18.95%	191,561	18.69%	20.29%
Mortgage loans	439,798	36.17%	383,843	37.46%	14.58%
Pledge loans	182,717	15.02%	160,596	15.67%	13.77%
Discounted bills	13,665	1.12%	12,413	1.21%	10.09%
Disbursement of loans and advances in total	1,216,138	100.00%	1,024,734	100.00%	18.68%

Loan balance and percentage of total loans of top 10 borrowers

As at the end of 2015, loan balance of the top 10 borrowers of the Bank was RMB36.661 billion, accounting for 3.01% of the year-end loan balance.

Whether there is relation between top 5 borrowers and the Bank

□ Yes √ No

(2)Increase/decrease in interest receivables and bad debt provisions during the reporting period

(In RMB million)

Interest receivables	Amount
Opening balance	11,937
Increase for the year	132,890
Recovery for the year	131,287
Closing balance	13,540

(In RMB million)

Item	Balance	Bad debt provisions
Interest receivables	13,540	-

As at the end of 2015, interest receivables of the Bank increased by RMB1.603 billion or 13.43% as compared with the beginning of the year, which was mainly due to the increase of interest-earning assets. The Bank's interest receivables from interest-earning assets including loans would offset interest income of the current period and be accounted for as off-balance sheet items if they are overdue for 90 days, without provision for bad debts.

(3)Goodwill

Goodwill arose from the Bank's acquisition of the Former PAB in July 2011. The changes in goodwill during the reporting period are set out as follows:

(In RMB million)

Item	Amount
Opening balance	7,568
Changes for the year	-
Closing balance	7,568
Provisions for impairment in goodwill	-

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(III) Analysis of balance sheet items

1. Asset composition and changes (Continued)

(4)Other assets - repossessed assets

(In RMB million)

Item	Balance
Land, properties and buildings	3,154
Others	46
Sub-total	3,200
Provision for impairment of repossessed assets	(212)
Net value of repossessed assets	2,988

2. Liability structure and changes

(In RMB million)

Item	December 31, 2015		December 31, 2014		Year-on-year change
	Balance	%	Balance	%	
Deposit taking	1,733,921	73.92%	1,533,183	74.59%	13.09%
Due to other banks and financial institutions	311,106	13.26%	385,451	18.75%	(19.29%)
Borrowings from other banks and financial institutions	12,143	0.52%	13,551	0.66%	(10.39%)
Financial liabilities held at fair value through profit or loss	8,506	0.36%	4,259	0.21%	99.72%
Derivative financial liabilities	4,037	0.17%	2,662	0.13%	51.65%
Repurchase agreements	11,000	0.47%	22,568	1.10%	(51.26%)
Employee compensation payables	10,351	0.44%	7,961	0.39%	30.02%
Tax payables	6,571	0.28%	5,794	0.28%	13.41%
Interest payables	23,253	0.99%	25,229	1.23%	(7.83%)
Bond payables	212,963	9.08%	41,750	2.03%	410.09%
Others (Note)	11,798	0.51%	13,102	0.63%	(9.95%)
Total liabilities	2,345,649	100.00%	2,055,510	100.00%	14.12%

Note: Other liabilities included "Due to the Central Bank, Accounts payable, Provisions and Other liabilities" in the items to the statements.

Deposits by customer type

(In RMB million)

Item	December 31, 2015	December 31, 2014	Year-on-year change
Corporate deposits	1,453,590	1,280,430	13.52%
Retail deposits	280,331	252,753	10.91%
Total deposit taking	1,733,921	1,533,183	13.09%

Deposits by region

(In RMB million)

	December 31, 2015		December 31, 2014		
Item	Balance	%	Balance	%	Year-on-year change
Eastern region	406,708	23.46%	362,162	23.62%	12.30%
Southern region	540,102	31.15%	475,908	31.04%	13.49%
Western region	146,992	8.48%	144,533	9.43%	1.70%
Northern region	359,713	20.75%	294,926	19.24%	21.97%
Headquarters	280,406	16.16%	255,654	16.67%	9.68%
Total deposit taking	1,733,921	100.00%	1,533,183	100.00%	13.09%

3. Changes of shareholders' equity

(In RMB million)

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Share capital	11,425	2,884	-	14,309
Capital reserve	52,270	9,341	(2,285)	59,326
Other comprehensive income	(1,851)	734	-	(1,117)
Surplus reserve	6,334	2,187	-	8,521
General risk reserve	19,115	8,413	-	27,528
Undistributed profit	43,656	21,865	(12,588)	52,933
Including: Dividend proposed for distribution	1,988	2,189	(1,988)	2,189
Total shareholders' equity	130,949	45,424	(14,873)	161,500

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(III) Analysis of balance sheet items

4. Measurement of fair value

As at the end of 2015, for details about fair value measurement and items measured at fair value, please refer to "VII. Risk disclosure - 4. Fair value of financial instruments" and "XI. Other significant items - Assets and liabilities carried at fair value" under "Chapter 16. Financial Statements".

(IV) Investments

1. Investment portfolio and overview

√ Applicable ☐ Not applicable

(In RMB million)

Item	December 31, 2015		December 31, 2014		Year-on-year change
	Balance	**%**	Balance	%	
Financial assets held at fair value through profit or loss	**19,757**	**3.27%**	25,811	5.31%	(23.46%)
Derivative financial assets	**8,144**	**1.35%**	4,300	0.88%	89.40%
Available-for-sale financial assets	**1,245**	**0.21%**	1,493	0.31%	(16.61%)
Held-to-maturity investments	**266,166**	**44.11%**	207,874	42.75%	28.04%
Investment in receivables	**307,635**	**50.98%**	246,258	50.65%	24.92%
Long-term equity investments	**521**	**0.08%**	486	0.10%	7.20%
Total financial assets for investment purpose	**603,468**	**100.00%**	486,222	100.00%	24.11%

2. Significant equity investment made during the reporting period

☐ Applicable √ Not applicable

3. Significant non-equity investment in progress during the reporting period

☐ Applicable √ Not applicable

4. Information on financial bonds holding

As at the end of 2015, the face value of the financial bonds (including policy bank bonds, various ordinary financial bonds, and subordinated financial bonds, excluding corporate bonds) held by the Bank was RMB111.1 billion. Ten financial bonds with the largest face value are stated below:

(In RMB million)

Bond name	Face value	Nominal annual interest rate (%)	Maturity date	Impairment provision
2010 policy bank bonds	3,860	2.59	2020/2/25	-
2015 policy bank bonds	3,520	3.85	2018/1/8	-
2011 policy bank bonds	3,030	2.35	2021/2/17	-
2010 policy bank bonds	2,870	2.52	2017/1/26	-
2009 policy bank bonds	2,420	2.53	2019/5/19	-
2011 policy bank bonds	2,410	2.40	2016/4/19	-
2009 policy bank bonds	2,400	3.35	2016/6/16	-
2011 policy bank bonds	2,250	4.25	2018/3/24	-
2010 policy bank bonds	2,210	3.53	2017/6/29	-
2009 policy bank bonds	1,970	3.10	2016/4/28	-

II. Principal operation analysis(Continued)

(IV) Investments(Continued)

5. Information on derivative financial instruments holding

Table of derivatives investments

Risk analysis on derivatives position holding during the reporting period and explanations on controlling measures (including but not limited to market risk, liquidity risk, operational risk and legal risk)	1. Market risk. Market risk of derivatives refers to the risk of loss in on-balance-sheet and off-balance-sheet business due to change of market prices (interest rate, exchange rate, stock price, and commodity price). Market risk control of the Bank is mainly exercised via risk limit management from various perspectives such as risk sensitivity, value at risk and stop-loss trading. 2. Liquidity risk. Liquidity risk of derivatives refers to the risk of a bank when it has solvency but cannot obtain sufficient fund in a timely manner or cannot obtain sufficient fund in time with reasonable cost to deal with asset growth or serve due debts. For derivatives delivered in full amount, the Bank adopted the measure of square positioning to ensure sufficient fund for settlement and clearing; for derivatives delivered in net amount, there was no significant impact as the cash flow would have minor impact on current assets of the Bank. 3. Operational risk. Operational risk is the risk resulting from deficient and defective internal procedure, staff, system, or external events, including the risks caused by staff, process, system and external factors. The Bank strictly observed the requirements of CBRC's Guidance on Operational risk Management of Commercial Banks, deployed designed traders, adopted professional front-middle-back office integrated monitoring system, set complete business operational process and authorization management system and complete and sound internal monitoring and auditing mechanism to avoid operational risk to the largest extent. 4. Legal risk. Legal risk refers to the possibility of risk exposure caused by the non-compliance of business activity with legal requirements or external legal matters. The Bank attached great importance to legal documentation related to derivative transactions, and signed legal agreements including ISDA, CSA, NAFMII with other banks to avoid legal disputes and regulate dispute resolving methods. For our customers, the Bank also drafted customer transaction agreement by referring to the above inter-bank legal agreements pursuant to regulatory requirements and transaction management requirements, thus largely avoiding potential legal disputes. 5. Force majeure. Force majeure refers to unforeseeable, unavoidable or insurmountable objective circumstances, including but not limited to fire, earthquake, flood or other natural disasters, war, military act, strike, pandemic, failure of IT or communication or power supply systems, financial crisis, moratorium of related market, or changes in national laws and regulations or policies such that the derivatives cannot conducted normal trading after the contract becomes effective. The Bank has concluded agreements with all retail, institutional and inter-bank customers and set out terms and conditions about force majeure to disclaim any liability arising from any breach of the contract in case of force majeure.
Changes of market price or product fair value of invested derivatives during the reporting period. The methods adopted in determining the fair value of derivatives as well as the assumptions and parameters should be disclosed together with the analysis result	In 2015, changes in the fair value of derivatives invested by the Bank were reasonable and could be controlled. The Bank principally adopted evaluation techniques to determine the fair value of financial derivatives. The evaluation technique includes making reference to the prices that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement, and reference to the current fair value and discounted cash flow technique of other financial instruments of substantially the same nature. Market parameters may be used in evaluation techniques whenever possible. However, the management has to make estimations in light of credit risk, market fluctuation rate and relevancy of its own and its trading counterparties when market parameters are unavailable.
Explanation on whether there were material changes in accounting policies and accounting treatment principles related to derivatives during the reporting period compared with that of last reporting period	The Bank set out accounting policies and accounting treatment principles for derivatives in line with Accounting Standards for Business Enterprises. There was no major change of the relevant policy during the reporting period.
Specific comments from independent directors on corporate derivative investments and risk control	The Bank's derivatives trading business is a commercial banking business approved by regulatory authorities. The derivative investment business currently engaged by the Bank mainly includes forward foreign exchange/foreign exchange swap, foreign exchange futures, foreign exchange options, currency swaps, interest rate exchange, deferred/forward precious metals/precious metals swaps, precious metals future, and back-to-back structured derivatives, etc. The Bank has established a tailor-made risk management structure, and set up a specialized risk management entity to effectively manage the risks of derivatives investment business via means such as establishment of system, limited authorization, daily supervision and control, internal training and accreditation of qualifications of business personnel.

Table of position of derivative investments held

(In RMB million)

Contract type	Beginning-of-year contract amount (Nominal)	End-of-year contract amount (Nominal)	Changes in fair value during the reporting period
Foreign exchange derivative instruments	494,841	677,816	1,043
Interest rate derivative instruments	450,870	640,328	42
Precious metal derivative instruments and others	39,435	139,721	1,355
Total	985,146	1,457,865	2,440

Note: The contract amount of derivative instruments represented the contract amount of the reference subject, which only reflects its trading volume but not the risk exposures. The Bank implemented strict risk limit management over derivative financial instruments, resulting in smaller actual risk exposure.

6. Use of Proceeds

(1)Overall use

√ Applicable ☐ Not applicable

(In RMB million)

Year	Through	Total proceeds	Total proceeds used in the period	Total proceeds used in aggregate	Total proceeds with use changed during the reporting period	Total proceeds with use changed in aggregate	Percentage of total proceeds with use changed in aggregate	Total proceeds unused	Use and deposit of proceeds unused	Proceeds idle for over two years
2015	Private placement of ordinary shares	9,940.00	9,940.00	9,940.00	-	-	-	-	N/A	-
Total	--	9,940.00	9,940.00	9,940.00	-	-	-	-	N/A	-

Remarks

Proceeds of the Bank are, net of listing expenses, all used to replenish the capital of the Bank as committed.

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(IV) Investments(Continued)

6. Use of Proceeds(Continued)

(2) Use of proceeds undertaken

√ Applicable ☐ Not applicable

(In RMB million)

Use of proceeds undertaken and use of extra proceeds	Whether use changed (including partial change)	Total investment undertaken	Adjusted total investment (1)	Total investment during the year	Aggregated investment as at the end of the period (2)	Progress as at the end of the period (%) (3)=(2)/(1)	Ready for intended use	Benefits generate during the year	Whether benefits as expected	Material change to feasibility
Use undertaken										
Replenishment of capital	No	9,940.00	9,940.00	9,940.00	9,940.00	100%	May 6, 2015	N/A	N/A	No
Sub-total	-	9,940.00	9,940.00	9,940.00	9,940.00	100%	-	-	-	
Use of extra proceeds										
Repayment of bank loans	-	-	-	-	-	-	-	-	-	-
Replenishment of working capital	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-
Total	-	9,940.00	9,940.00	9,940.00	9,940.00	100%	-	-	-	-
Particulars of and reasons for progress or benefits not as expected (individually)	-									
Reasons for material change to feasibility	-									
Amount, use and progress of extra proceeds	-									
Change of place of use of proceeds	-									
Adjustment to use	-									
Preliminary input and replacement	-									
Temporary replenishment of working capital by idle proceeds	-									
Over-input and its reasons	-									
Use and deposit of proceeds unused	-									
Problems and issues in use and disclosure	-									

(3) Change of use of proceeds

□ Applicable √ Not applicable

There was no change to the use of proceeds of the Bank during the reporting period.

7. Material disposal of assets and equity interests of the Bank not occurred but on-going during the reporting period

8. Major subsidiaries

Operation and results of major subsidiaries

□ Applicable √ Not applicable

Shareholding in other listed companies

(In RMB million)

Stock code	Stock abbreviation	Initial investment	Percentage of shareholding in the company at the end of the year	Book value at the end of the period	Investment profit or loss during the reporting period	Changes in equity of owners during the reporting period	Accounting item	Source of shares
400061	NJTC	314	4.02%	547	-	232	Available-for-sale	Repossessed equity
-	Visa Inc.	-	0.01%	4	-	-	Available-for-sale	Legacy investment
Total		314		551	-	232		

Shareholding in other unlisted financial institutions and companies planning to go public

(In RMB million)

Name of investee	Investment amount	Impairment provision	Net balance as at the end of the year
China UnionPay Co., Ltd.	74	-	74
SWIFT member	1	-	2
Clearing Center for City Commercial Banks	1	-	1
China Zheshang Bank Co., Ltd. (Note)	59	-	59
Total	135	-	136

Note: In 2014, the Bank acquired 10,000,000 shares in China Zheshang Bank Co., Ltd. as repossessed assets.

9. Structured entities under control of the Company

Please refer to "51. Structured entities, III. Notes to Financial Statements" under "Chapter 16 Financial Statements" for further details.

Management Discussion and Analysis

II. Principal operation analysis(Continued)

(v) Balance of off-balance sheet items that may have significant impact on the Bank's operating results at the end of the reporting period

Please refer to "V. Commitments and Contingent Liabilities" under "Chapter 16 Financial Statements" for credit commitments, lease commitments, capital commitments and other particulars.

(vi) Analysis of items with over 30% change in comparative financial statements

Item	Change (%)	Reasons for change
Precious metals	40.86%	Increase in scale of gold business
Amount due from other financial institutions	62.83%	Structure adjustment of inter-bank business
Funds loaned to other financial institutions	67.18%	Structure adjustment of inter-bank business
Derivative financial assets	89.40%	Increase in scale of precious metal derivative transactions
Assets purchased under resale agreements	(34.34%)	Structure adjustment of inter-bank business
Account receivables	(33.26%)	Decrease in factoring receivables with recourse
Property investment	92.73%	Small base number, RMB110 million as at the end of last year
Other assets	47.19%	Increase in construction in progress and repossessed assets, etc.
Financial assets held at fair value through profit or loss	99.72%	Increase in payables on gold leasing for transaction
Derivative financial liabilities	51.65%	Increase in scale of precious metal derivative transactions
Buyback financial assets sold	(51.26%)	Decrease in amounts on buyback bonds
Employee compensation payable	30.02%	Increase in staff, scale and results lead to labor cost going up
Trade payables	(97.66%)	Decrease in factoring payables with recourse
Bond payables	410.09%	Increase in inter-bank deposits payable
Surplus reserve	34.53%	Annual provision of statutory surplus reserve
Undistributed profit	44.01%	Increase in profits for the year
Fee and commission income	48.10%	Increase in fee and commission income of investment banking, custody, wealth management, settlement, agency, bank cards, gold leasing, etc.
Gains/losses in fair value changes	1,170.00%	Small base number, -RMB10 million in last year
Foreign exchange gains/losses	(47.68%)	Small base number, -RMB388 million in last year
Asset impairment loss	103.08%	Increase in the loan size and enhanced ability to resist risks

(vii) Cash flows

In 2015, the Bank's net cash flows generated from operating activities amounted to -RMB1.826 billion, representing a year-on-year decrease of RMB27.147 billion or 107.21%, which was primarily due to a year-on-year decrease in deposits and cashflow from inter-bank business and increase in cash outflows arising from the disbursement of loans; net cash flows generated from investing activities amounted to -RMB96.226 billion, representing a year-on-year decrease of RMB41.743 billion or 76.62%, which was due to a year-on-year increase in cash outflows from investments; net cash flows generated from fund raising activities amounted to RMB174.177 billion, representing a year-on-year increase of RMB142.988 billion or 458.46%, which was primarily attributable to the increase in cash inflows generated from inter-bank deposits.

(viii) Asset quality

Actively coping with effect of the external macro-economy, the Bank continued to optimize its credit structure by strict control over risk of expanding business and prevent and resolve risk of outstanding loans. The Bank adopted a series of measures to dissolve and dispose of non-performing assets, as well as increased provisions and write-offs, so as to guarantee the stability of asset quality.

The Bank achieved good recovery results in 2015, with non-performing assets of RMB5.947 billion in aggregate being recovered, including credit assets (principal of loans and advances) of RMB5.637 billion. Of the recovered loan principals, loans of RMB2.384 billion were written off and non-performing loans of RMB3.253 billion were not written off, and 92.72% of loans were recovered in cash while the rest was in the form of repossessed assets.

1. 5-tier loan classification of loans and advances granted

(In RMB million)

	December 31, 2015		December 31, 2014		
Item	**Balance**	%	Balance	%	Year-on-year change
Pass	**1,148,011**	**94.40%**	977,284	95.37%	17.47%
Special mention	**50,482**	**4.15%**	36,949	3.61%	36.63%
Non-performing loans	**17,645**	**1.45%**	10,501	1.02%	68.03%
Including:Substandard	**7,945**	**0.65%**	4,374	0.42%	81.64%
Doubtful	**2,141**	**0.18%**	2,146	0.21%	(0.23%)
Loss	**7,559**	**0.62%**	3,981	0.39%	89.88%
Total loans and advances granted	**1,216,138**	**100.00%**	1,024,734	100.00%	18.68%
Loss impairments of loans and advances	**(29,266)**		(21,097)		38.72%
Ratio of non-performing loans	**1.45%**		1.02%		+0.43 percentage point
Provision coverage ratio	**165.86%**		200.90%		-35.04 percentage points
Loan loss provision ratio	**2.41%**		2.06%		+0.35 percentage point

II. Principal operation analysis(Continued)

(viii) Asset quality(Continued)

1. 5-tier loan classification of loans and advances granted(Continued)

In 2015, affected by external factors such as current economic situations and corporate operational and management capabilities, certain companies experienced challenging operations and poor financing capabilities, and there were some overdue loans and debit interest, etc., non-performing loans and special mention loans went up. The Bank took active and multi-pronged responsive measures to better manage outstanding loans and rigorously control further approval so as to restrain the decline in and maintain the stability of asset quality.

2. Restructured, overdue and non-accrual loans and advances

(In RMB million)

	December 31, 2015		December 31, 2014	
Item	Balance	%	Balance	%
Restructured loans	12,509	1.03%	8,305	0.81%
Loans with principals and interest overdue within 90 days	21,218	1.74%	14,536	1.42%
Loans with principals and interest overdue over 90 days	34,025	2.80%	29,203	2.85%

(1) As at the end of 2015, the balance of restructured loans of the Bank was RMB12.509 billion, representing an increase of RMB4.204 billion or 50.62% from the beginning of the year. A credit problem management team was established. The Bank enhanced the restructuring and solving to the credit enterprises in difficulties, optimized the business structure step by step, and finally released and solved the credit risks.

(2) As at the end of 2015, the balance of loans with principals or interest overdue within 90 days was RMB21.218 billion, representing an increase of RMB6.682 billion or 45.97% as compared with the beginning of this year. The balance of loans with principals or interest overdue over 90 days was RMB34.025 billion, representing an increase of RMB4.822 billion or 16.51% as compared with the beginning of this year.

Overdue loans were mainly loans due from steel trade enterprises and private SMEs in Hangzhou, Ningbo and Wenzhou, small and micro mutual guarantee and joint guarantee situation and industries characterized by "heavy pollution, high energy consumption and over-capacity" in Shandong. The majority of new overdue loans had collaterals and pledges. The Bank had adopted various measures, formulated collection and disposal and restructuring plans by category, and stepped up communication with local governments, regulatory authorities and other banks and financial institutions to jointly improve risk management and remedial works. Up-to-date, overall risk is still under control.

3. Structure and quality of loans and advances by industry

(In RMB million)

Item	December 31, 2015		December 31, 2014	
	Balance	%	Balance	%
Agriculture, husbandry and fishery	14,197	0.37%	5,260	0.76%
Mining (heavy industry)	65,599	0.31%	41,340	0.11%
Manufacturing (light industry)	161,075	2.13%	142,876	1.59%
Energy	16,472	-	8,874	-
Transportation, postal and telecommunications	29,037	0.26%	25,491	0.30%
Commerce	150,909	2.73%	151,532	1.63%
Real estate	132,735	-	98,855	-
Social service, technology, culture and healthcare	86,415	0.06%	64,894	0.07%
Construction	50,420	0.80%	43,576	0.08%
Discounts	13,665	-	12,413	-
Retail loans (inclusive of credit cards)	441,142	2.11%	384,995	1.43%
Others	54,472	-	44,628	-
Total loans and advances	1,216,138	1.45%	1,024,734	1.02%

As at the end of 2015, the Bank's non-performing loans mainly concentrated in the commerce, manufacturing and retail loans (inclusive of credit cards) industries, accounting for 95% of total on-performing loans while NPL ratios for other industries were lower. The Bank's NPL ratio of retail loans (inclusive of credit cards) increased from the beginning of the year mainly due to the restructuring of assets by the Bank. Having the risks under control, the Bank moderately increased the high-yield products. The Bank adopted multiple measures to continuously improve quality of assets by ways of optimizing business directions, setting higher entry barriers for new customers, reinforcing risk monitoring and precautions, and strengthening dunning, settlement and collection.

II. Principal operation analysis(Continued)

(viii) Asset quality(Continued)

4. Quality of loans and advances by region

(In RMB million)

	December 31, 2015		December 31, 2014	
Region	Balance	NPL ratio	Balance	NPL ratio
Eastern region	364,616	1.15%	312,713	1.10%
Southern region	246,702	0.76%	250,483	0.58%
Western region	171,371	1.62%	123,455	0.48%
Northern region	222,427	0.79%	184,213	0.57%
Headquarters	211,022	3.34%	153,870	2.59%
Total loans and advances	1,216,138	1.45%	1,024,734	1.02%

Affected by the macro-economy, trading firms, the low-end manufacturing industry and private SMEs in certain regions experienced poor risk resistance and were exposed to the risk of shorter or broken capital chain and difficulties in operation, resulting in a higher NPL ratio. The Bank put more efforts into dissolving and disposing of non-performing assets and strictly controlling incremental risk in order to ensure the stability of asset quality. The increase in the NPL ratio of the headquarters was mainly due to the transfer of doubtful loans of individual branches to the special asset management center and eastern China asset preservation center (departments designated for collecting NPLs) under the headquarters for centralized management by a dedicated task force.

5. Quality of loans and advances by product

(In RMB million)

	December 31, 2015		December 31, 2014		
Item	Balance	NPL ratio	Balance	NPL ratio	Increase or decrease in NPL ratio
Corporate loans	774,996	1.08%	639,739	0.78%	+0.30 percentage point
Including: General loans	761,331	1.10%	627,326	0.79%	+0.31 percentage point
Discounted bills	13,665	-	12,413	-	-
Retail loans	293,402	1.91%	282,096	0.95%	+0.96 percentage point
Including: Housing mortgage loans	45,967	0.09%	55,365	0.49%	-0.40 percentage point
Operating loans	107,429	4.19%	116,875	1.40%	+2.79 percentage points
Auto loans	78,635	0.28%	65,495	0.58%	-0.30 percentage point
Others (Note)	61,371	1.36%	44,361	0.86%	+0.50 percentage point
Account receivables of credit cards	147,740	2.50%	102,899	2.77%	-0.27 percentage point
Total loans and advances	1,216,138	1.45%	1,024,734	1.02%	+0.43 percentage point

Note: Other loans include "Xin Yi Dai", i.e. the loans to new yuppies, Certificate pledged consumption loan, Petty consumer loan and other guaranteed or pledged consumption loan.

At the end of 2015, the NPL ratio of the Bank rose by 0.43 percentage point over the beginning of the year, where that of corporate loans and of retail loans (excluding credit card) rose by 0.30 percentage point and 0.96 percentage point over the beginning of the year respectively, while that of account receivables on credit cards decreased by 0.27 percentage point from the beginning of the year.

(1) The rise in the NPL ratio of the Bank was mainly due to influence of the macro-economy, which exposed trading firms, the low-end manufacturers and private SMEs in certain regions to issues such as poor management, profit decline and financing difficulties and led them to shorter or broken capital chain and insolvency.

(2) The increase in the NPL ratio concentrated mainly on operating loans, mainly due to the restructuring of existing loans resulting in the slowdown in overall expansion and to the influence of the macro-economy and continuous risk exposure in certain regions, in particular the sharper deterioration in SMEs' financial position and thus their operational difficulties and the impact of e-commerce on physical shops. However, the overall risk level remained manageable. Active business restructuring was carried out for auto loans by proper adjustments to risk thresholds and in-depth application of scientific risk measurement tools and external big data which effectively diminished further non-performing loans. In addition, the building of the collection team was vigorously strengthened and multiple collection methods were employed to increase disposal of existing non-performing assets, which resulted in a lower NPL ratio as compared with the beginning of the year. The client structure of housing mortgage loans was further adjusted by allocating more resources to quality clients, which effectively enhanced the quality of loans subsequently granted. Furthermore, multiple collection methods were employed to increase disposal of non-performing assets, which resulted in a lower NPL ratio as compared with the beginning of the year.

(3) The Bank implemented a series of risk management measures for credit cards to elevate its risk resistance. On the one hand, it applied scientific tools such as scoring models to comprehensively optimize its risk management strategy, which effectively improved the quality of its new clients and adjusted the structure of amounts due to existing clients so as to safeguard sustainable development of portfolios. On the other hand, the ability to collect non-performing assets was improved by optimizing relevant strategies and enhancing relevant management capabilities. The quality of the credit card portfolios of the Bank showed a significant increase in 2015 with risk level manageable. As at the end of 2015, the credit card non-performing ratio of the Bank was 2.50%, which was 0.27 percentage point lower than that at the beginning of the year.

6. Government financing platform loans

As at the end of 2015, the balance of the Bank's loans to government financing platform (including rectified general corporate loans and loans still managed under platforms) was RMB35.795 billion, representing a decrease of RMB4.269 billion or 10.66% as compared with the beginning of the year and accounting for 2.94% of total loan balances, down by 0.97 percentage point over the same period. Among which: in terms of loan type, the balance of the Bank's rectified general corporate loans was RMB19.795 billion, accounting for 1.63% of total loan balance; the balance of loans still managed under platforms was RMB16.000 billion, accounting for 1.31% of total loan balance.

Since 2013, the Bank has been focusing on the restructuring of platform loans, the majority of which were loans of provincial level and provincial capital cities. The platform loan quality of the Bank remained sound without any NPL at present.

II. Principal operation analysis(Continued)

(viii) Asset quality(Continued)

7. Loan impairment provision accrual and write-offs

On the basis of a number of factors including the borrowers' repayment ability, principal and interest repayment status, fair value of collaterals and pledges, the guarantors' actual guarantee capacity and loan management status of the Bank, the Bank made appropriate loan impairment loss provision charged to the income statement individually or collectively according to the 5-tier classification as well as the risk level, recoverability of loans and the discounted value of the anticipated future cash flow.

(In RMB million)

Item	Amount
Opening balance	21,097
Add: accrual for the year (including impairment loss for non-credit assets)	30,485
Less: interest offset of impaired loans	406
Less: impairment loss for non-credit assets	618
Net provisions for the year	29,461
Add: recovery of written-off loans for the year	2,384
Less: other changes	93
Less: written-off and disposal for the year	23,583
Closing balance	29,266

The fully provisioned non-performing loans satisfying write-off conditions and being written-off pursuant to relevant procedures, loans after being written-off were managed based on principles of "filing after account write-off, and keeping collection" and collected and disposed of by operating units. For the collection of written-off loans, litigation fees which were advanced by the Bank and should be assumed by the borrower were deducted first and the remainder was used to offset the loan principal first and then the overdue interest. The collected loan principal will increase the loan impairment provision of the Bank and the recovered interest and fees will increase the interest income and bad debt provision in the current period.

8. Green credit

The Bank attached high importance to and promoted green credit by committing to adopt and implementing advanced international practice. The Bank entered into an agreement with the United Nations Environment Programme Finance Initiative (UNEPFI) in 2010 and officially became the fourth member bank of this organization in China. In 2012, the Bank was one of the first financial institutions in China to enter into the Natural Capital Declaration proposed by international organizations including UNEPFI to promise to integrate natural capital into the decision-making process of the Bank. In 2013, the Bank singed the Common Commitment of the China Banking on Green Credit.

Based on the Guidelines on Green Credit of Ping An Bank, the Bank promoted the implementation of its established green credit category management. In accordance with practice of "Equator Principles" adopted by leading International banks, the Bank allocated credit resources effectively, put more efforts to support green economy such as low carbon economy, circular economy and energy conservation and emission reduction, and restricted the entry into and strictly controlled industries that do not comply with the environmental protection and industrial policies of the state.

The Guidelines on Risk Policy of Ping An Bank for 2015 was formulated. The Bank controlled its credit scale at a rational level by implementing portfolio limit management of credits granted to industries with "high energy consumption, high pollution and overcapacity" and backward production capacities. The percentage of loans was gradually lowered as the Bank continued to strictly control over credit granted to industries with "high energy consumption, high pollution and overcapacity". The Bank implemented strict control of risks of high-polluting, high-energy consuming businesses. The Bank prevented risks in industries with overcapacity, promoted the dissolution of overcapacity, supported the expansion of effective needs, encouraged companies to "go global" and promoted corporate merger and reorganization, put more efforts to exit preservation, so as to achieve the consumption, transference, integration and elimination of some excessive production capacity and optimize credit structure. The Bank strictly complied with the minimum requirements of the state's industrial policy while implementing the strict management policy of the credit granting category. For projects under the eliminated category under the Guiding Catalogue for Industrial Restructuring, non-compliance projects for environment protection and other incompliant projects with backward production capacity that are not in compliance with the requirements of the state's energy saving and emission reduction policies and are specifically required to be eliminated by the state shall not be provided with additional credit in any form. For credits that have been granted, appropriate measures are required to be taken to ensure the safe recovery. The Bank boosted the upgrading of industrial technologies, formulated and improved policies for energy saving and environmental protection industry, paid more attention to technological innovations in advanced manufacturing and smart services in service industry, put more efforts to support advanced manufacturing in line with industrial upgrading and emerging industries with clear growth prospects and promoted industrial transformation and innovation, in order to achieve green development. The Bank supported key industries and projects that included in the Plan for Development of the National Strategic Emerging Industries During the Period of the 12th Five-Year Plan and Plan for Development of Energy Conservation and Environmental Protection Industry During the Period of the 12th Five-Year Plan in terms of energy conservation, emission reduction and resources recycling. The Bank also supported technological innovation, transformation and services in relation to energy conservation and emission reduction and product promotion, enhancing a steady and orderly growth of green credit. The Bank adopted strict list management of high-polluting, high-energy consuming industries, and gradually reallocated credit resources for such industries and those with overcapacity to green credit.

With the strict implementation and continuously improvement of risk control measures for the whole process of green credit as well as the implementation of differentiated risk pricing and economic capital allocation measures, the Bank implemented a strict entrance system, met the bottom line of compliance and strengthened credit approval and management. A fast green credit approval channel was gradually set up to provide active support for enterprises granted with credit in their energy saving and emission reduction projects as well as low-carbon economic development projects, and for the development of new energy economy. A green energy business center was set up for, in addition to innovation, promoting bank-wide strategies for new energy clients and overall product design in order to provide professional integrated financial services.

The Bank kept on refining the green credit specific statistic system, to further clarify the calculation of green credit of the Bank. Pursuant to statistical methods of green credit industry and business, the Bank carried out statistic classification and identification, and conducted dynamic control and regular dedicated survey on its support of energy saving and emission reduction projects and its elimination of credit granted to with backward production capacity. The Bank will also incorporate the verification of environmental protection information into the full credit process management.

Meanwhile, regular bank-wide self-assessments with respect to green credit practices were organized, which covered relevant organizational management, building of policies, systems and capabilities, process and internal control management, information disclosure, oversight and inspection and other aspects, which were accompanied with incentive schemes. Together with off-site oversight and on-site inspections, the overall effectiveness of green credit was evaluated and the results were used as important bases for credit ratings, business thresholds and appraisals in accordance with laws and regulations to ensure the effective on-going operation of green credit and accelerate the establishment of green credit assessment evaluation and accountability system and rewarding and punishment mechanism.

The Bank improved its green credit (environmental protection) information communication and disclosure mechanism, organized outstanding case studies and reinforced the green credit value-oriented publicity, enabling it to continue to carry out its green credit strategy.

Management Discussion and Analysis

III. Discussion and analysis of principal activities

(i). Corporate business

As at the end of 2015, corporate deposit of the Bank increased by 13.52% from the beginning of the year, while the corporate loan balance (excluding discounted bills) increased by 21.36% from the beginning of the year. The credit balance of trade finance amounted to RMB491.812 billion, representing an increase of 10.96% from the beginning of the year. The NPL ratio of the trade finance was 0.43%.

Integrated finance as the basis and core of the Bank's competitive differentiation.

The Bank steadily promoted the integration of the banking businesses, fully utilizing the comprehensive advantages of the resources of the Group and its subsidiaries to broaden the field of customer services and to enhance customer experience in integrated finance services. **Continuously innovating our business model in consolidating resources in integrated finance and Internet finance**. The Bank built an integrated financial services system which combines resource integration, customer gathering, product integration and information interoperability to create Internet portal platforms, notably the Orange-e-Net, providing customers with value and services beyond expectation. **Creating a professional, intensive industry-specific financial business.** Deepening the reform of the divisions, the Bank insisted on platform development to become an integrator of industry resources and financial resources.

Continuously strengthening trade finance business innovation and significant allied client-absorption effect

The commercial factoring alliance has further expanded. The "Golden Orange Factors Club" had absorbed 256 members which covered all mainstream factors, and the "commercial factoring cloud platform" had over 1,000 online customers. The agency bank alliance achieved substantial results and cooperated with 90 banks, which widened the source of funds for international business, presented more opportunities for business cooperation and promoted the Bank's brand image and influence among domestic and foreign banks. Meanwhile, given the policy opportunities emerging from the Renminbi interest rate reform, the free-up of capital account transactions and the free trade zone reform, the Bank made active promotion of foreign derivatives and cross-border investment and financing businesses and constructed online business platforms for cross-border businesses to enhance service quality and efficiency and profitability of foreign business, in order to shape its core competitiveness in international businesses.

Table of trade finance and international businesses

(In RMB million)

Item	December 31, 2015	%	December 31, 2014	%	Change from the end of period over the end of last year (%)
Trade finance balance	491,812	100.00%	443,215	100.00%	10.96%
Including: Domestic	326,610	66.41%	283,462	63.96%	15.22%
International (including offshore)	165,202	33.59%	159,753	36.04%	3.41%

Corporate network finance continued to grow

The Orange-e-Net platform adhered to the strategic positioning of "supply chain finance + Internet finance" in serving the financial service needs of the internetized real economy in the process of transformation. The Orange-e-Net grabbed the opportunities arising from "Internet +" electronic commerce, focused on the productive service sectors and actively planned for business application to build a comprehensive services ecosystem targeted at industry chain and SME transformation. Innovative "B2B, B2C to C2B" service model efficiently empowered a comprehensive "Internet + industry + finance" development pattern.

In 2015, the Orange-e-Net had more than 2.00 million users, of which 1,625,000 were registered users, and the number of transaction customers were 970,000, while the amount of network financing was more than RMB21.0 billion.

Offshore financial business maintained a good momentum of development

The Bank actively implemented the offshore business transformation, improving four major offshore financial product systems, namely offshore investment and financing, offshore interbank financing, domestic resident and corporate offshore finance and offshore trade finance. The Bank has increased efforts in overseas mergers and acquisitions financing and privatization financing projects, effectively increasing the market share. As at the end of 2015, the balance of offshore loans amounted to USD9.7 billion, an increase of 26.8% over the beginning of year, and the loan amount increase stood at the forefront among the four Chinese offshore banks.

(ii)Retail business

In 2015, the retail business continued to deepen its reforms of BUs. Leverage on the comprehensive financial advantage of Ping An Group and the Bank's resources of professional platforms, full-ranged licensed products and channels, it picked up the speed of client migration to further solidify its foundation. As at the end of 2015, retail deposits increased by 10.91% from the beginning of the year, and balance of retail loans (including credit cards) recorded 14.58% growth as compared with the beginning of the year. Assets under management for individual clients increased rapidly to over RMB660.0 billion, representing an increase of 32.9% as compared with the beginning of the year.

Rapid growth in number of client and assets under management (AUM) driving up revenue

By virtue of continuous optimisation of the client structure, the number of client significantly increased, particular wealth management clients. Wealth management clients, private banking customers with eligible assets and settlement customers aggregated to 286,000, 14,500 and 4.894 million, representing an increase of 25.8%, 44.3% and 27.0% as compared with the beginning of the year, respectively. The individual customers' assets under management have been driven up rapidly, representing an increase of 32.9% as compared with the beginning of the year.

Significant results in customer migration and acquiring new customers

By continuing taking full advantage of the internal and external resources of the Group and the Bank, the retail business established a migration platform for customers from the Group, micro and small enterprise and payroll service customers, credit card customers, auto finance and consumer finance customers within the Bank. In 2015, the number of new customers contributed by the migration platform was 3.93 million, accounting for 50% of total new customers, 57% of new wealth management customers of the Bank, 54% of new assets and 63% of new deposits, respectively.

Excellent performance of wealth management products within further enriched product portfolio

On the back of the diversity of its wealth management products, excellent returns on products and good reputation in the market, the Bank won several wealth management awards in 2015. It continued to introduce new products to replace the old ones in our structural, private and overseas product categories, so as to promote sector fund products and diversify the product mix.

Management Discussion and Analysis

III. Discussion and analysis of principal activities(Continued)

(ii)Retail business(Continued)

Rapid development of private banking, wealth management, community finance and online banking

Private Banking

Our private banking saw continued rapid development. As at the end of 2015, the clients' assets managed under our private banking increased by 64% to over RMB250.0 billion from the beginning of the year. Both the size and the growth led the pack

The Private Banking business continued to reinforce the three customer value propositions of "integrated finance, global configuration, and family heritage", while deepening the four service systems of "investment management, health management, immigration and overseas education, and family protection". The Bank has launched overseas real estate study tours and a number of domestic and foreign health management projects. Starting up the Ping An Heritage Institute, the Bank also jointly produced a large scale TV program with the CBN which was China's first TV program focused on family business governance and family wealth inheritance. Relying on the Group's consolidated financial platform, the Private Banking business performed group customer migration through multiple channels. In 2015, customer migration in main channels like life insurance and securities increased 236% and 117% respectively over the previous year.

The Private Banking business has established a good brand image, gaining wide market recognition. In 2015, the Bank won the seventh "Gold Money" Emerging Private Banking Award of the Shanghai Securities News, and also the Best Private Banking Award of "2015 China High-end Financial Management Strength List" organized by the Daily Economic News.

Wealth Management

Through customer enhancement projects like "Care for New Customers", the Wealth Management business continued to work on "layered and split" operation, optimizing the wealth management team, team building and capacity building. The Bank has achieved results in equity penetration of wealth customers, marketing platform building, wealth brand building, and service capability enhancement.

In 2015, the Bank continued to hold the Ping An Wealth Forum, utilizing'Internet Plus'to launch large scale customer e-marketing campaigns such as Ping An Wealth"Fortuna Festival." The bank also launched the"Enjoy your gift +"equity brand, built the"Ping An Wealth Travel +"and golf equity service platform, and continued the deepening of'banking hall integration'to create 20'model service outlets".

Through various enhancement initiatives, there was significant improvement in banking services, thus gaining market and customer recognition. The Bank won several wealth management and service experience awards such as the "2015 Best Bank in Wealth Management Brand", "2015 Most Competitive Wealth Management Institution" and "Best Customer Experience Award" selected by many authoritative media such as Securities Times, Shanghai Securities News, Eastern Wealth Network, and hexum.com.

Community Finance

The Bank continued to promote the establishment and operation of branches in the communities in order to achieve a low-cost physical coverage and service provision. Surrounding the three customer value propositions of "doorstep, full finance, wise living" and leveraging on the Group's advantages in integrated finance, the Bank provided financial and non-financial products and services to community residents so as to become their Ping An Good Neighbor. As at the end of 2015, the number of licensed community branches was 304, of which 119 community branches managed over a hundred million yuan of customer assets.

In 2015, the Bank held the Ping An Neighborhood Festival in 27 cities across the country, launching a series of activities covering the living of the community residents. Two nation-wide brand activities were organized: "Neighborhood in My Mind" painting contest and "Community Branch Experience Program". Tens of thousands of customers participated in these activities, creating a peak of new asset increase. As a result, the Bank received the Best Brand Marketing Award of 2015 21st Century Golden Stone Award organized by Twenty-first Century Business Review.

Network Finance

Continuing to be customer-centric, the Bank has pushed forward the mobile Internet and big data construction and the continuous capability enhancement in 3E customer operation (E-customer acquisition, E-marketing, E-services), therefore creating an "innovation leading" brand advantage in the industry. As at the end of 2015, the cumulative number of online banking users was 10.09 million, an increase of 39% compared with the beginning of the year. Online Banking version 2.0 was launched around the brand philosophy of "Feel the Beauty of Minimalist, Experience the Speed Control". With the introduction of the industry's first intelligent voice and other innovative functions, the cumulative number of users in Pocket Banking was 13.95 million, an increase of 158% compared with the beginning of the year. The number of Ping An Orange customers was 5.06 million, up 883% compared with the beginning of the year. This was the result of innovative cross-industry cross-sector cooperation model, gradually promoting the implementation of "One Plus One Multiply" strategy to build a financial consumer services ecosystem. From the standpoint of raising production capacity and reducing costs, self-service equipment was transformed from "service" type equipment to "service-based, marketing-compatible" type equipment, therefore effectively improving the daily average number of transactions by 20%.

The various innovative initiatives received wide acclaim from the market. Pocket Banking, Ping An Orange and Personal Online Banking received several awards from many authoritative media and market third-party organizations such as hexun.com, The Banker, China Financial Certification Center and Sina Finance.

Steady growth in our asset businesses such as credit card, auto finance and consumer finance

Credit card

In 2015, Pingan Bank Credit Card Center moved to Qianhai, Shenzhen. It was upgraded as a second-level legal person specializing in credit card business and its operation was relatively independent. Our credit card business maintained its rapid and stable growth. As at the end of 2015, we had 19.98 million credit cards in issue, representing an increase of 22% as compared to the beginning of the year, of which 6.74 million were issued during the year. Total transaction amounted to RMB806.9 billion, representing a year-on-year increase of 31%. The balance of credit card loans was RMB147.7 billion, representing an increase of 44% as compared to the beginning of the year.

With innovation-driven development, customer experience was continuously enhanced, as our "Credit Card Real-time Approval and Issuing Project" was awarded "Science and Technology Development Award Third Prize" by the People's Bank of China. As "Internet Plus" products are innovative, jointly launched with Ping An One Pocket, the Flower Card was the first credit card issued under the new concept "Internet Plus Credit card". The Bank continued to promote network channel customer acquisition and online conversion of traditional channel customers. In 2015, network channel customer acquisition grew by 173% over the previous year, and the amount of online transactions increased by 26% year on year. The Bank employed innovative risk management technologies and optimized the portfolio structure, using the industry's leading real-time approval and card issuing technologies and real-time transaction detection technologies. The Bank was the first to apply face recognition technology to PAD application. Through implementing various risk management measures, risk resilience increased significantly, while the portfolio income could cover the risk. As at the end of 2015, the Bank's credit card NPL ratio was 2.50%, down 0.27 percentage point over the beginning of the year.

III. Discussion and analysis of principal activities(Continued)

(ii)Retail business(Continued)

Auto finance

In 2015, the auto finance business of the Bank proactively carried out transformation and adjusted its business strategy, with RMB59.6 billion of loans granted in the year, increased by 14% as compared with the previous year, and outstanding car loans at RMB78.6 billion, increased by 20% from the beginning of the year. Its market share was dominant, where NPL ratio was at 0.28%, decreased by 0.30 percentage point from the beginning of the year. Automatic approval efficiency continued to rise, and further improvements were made in client experience. In August, the first asset-backed note with the subject as auto finance loan was successfully launched in the inter-bank market, which received an encouraging amount of subscription.

In 2015, the business commenced financial innovation cooperation with members of the group. Together with Ping An-UOB Fund, it launched the wealth-management-included auto loan product Auto Gain in September and has attracted near 4,000 quality customers with sales totalling RMB500 million since then. Its accident and health insurance for car owners operating with Ping An Annuity Insurance recorded sales near RMB500 million for the year. The Care-free with Cars covering purchase, usage and maintenance with health insurance embedded recorded sales of approximately RMB240 million for the year and won the Best Auto Finance Innovative Product 2015 at the China Auto Finance Fair. In 2015, the Bank also won several awards from external bodies including the Best Personal Auto Finance Bank 2015.

Consumer Finance

The Consumer Finance business has always been adhering to the customer-centric principle, with the aim of becoming the most trusted consumer financial service provider. While constantly pursuing product innovation, the Bank strived to meet customers' multi-faceted, multi-channel financing needs, optimize the business structure and enhance the quality of customer acquisition so as to achieve a high-quality, sustainable healthy development. The personal unsecured consumer credit product "New One Loan" has the core features of convenient application, and simple and fast. The Bank constantly enriched the product plan, and gradually strengthened online usage to effectively enhance the customer experience. Jinling Tong 2.0, Pay ETS respectively catered for the wealth customers and salaried customers with good occupation to provide comprehensive financial services such as consumer revolving credit and personal settlement. At the same time, to support the reasonable housing consumption demand of inhabitant households, the Bank has further expanded the mortgage business.

As at the end of 2015, the balance of the loans of consumer finance amounted to RMB128.317 billion with loans of RMB61.742 billion newly issued during the year. Our consumer finance carried on research on assets securitization of low-income loan to expand underlying assets base of the Bank's assets securitization. Our consumer finance remained steadfast in the pursuit of "restructuring and risk control" and optimized the loan structure and improved assets quality from aspects such as promotion of the mortgage business, strengthening risk monitoring and alert and repayment demand and collection. At present, the overall assets quality is stable and manageable.

(iii)Treasury and inter-bank business

In 2015, the treasury line upheld the operation strategy of "smaller capital, better structure, valued clients and good efficiency", under which it sped up the shift of operation model, expanded its customer base and transaction volume and continually optimised inter-bank assets and liabilities structure to enhance investment return, reduce inter-bank debt cost and expand non-interest revenue source, thus progressing the optimization of the revenue structure.

Stronger business innovation rising brand influence of"Gold Business","Banking", "Option Expert" and"Smart Transaction"

Our capital operating centre was licensed and established in May 2015, which was the second bank capital business specialised institution approved by the CSRC, further enhancing the brand influence of treasury business.

The precious metal business continued to outperform most joint-stock banks. It continued to expand its investment and financing business by establishing the professional gold assets management account "Tong Cun Tong Dui" which was integrated with Ping An Pocket Banking, Ping An Orange and One Wallet and by launching the first repurchase business in the industry.

Seizing opportunities in the market, it launched innovative products such as Gou Hui Bao, Euro Loan, buy-write option pairs and ranged forward currency settlement and the one-stop integrated trading platform for financial products Ping An Easy Trade, which provided diverse and customised products and services with convenience and efficiency. It also promoted products such as forward currency, Capped Forward Currency and narrow-ranged hedging currency option pairs to satisfy risk-aversion needs of clients and further enhance its reputation as an "option expert".

It diversified its fixed income, gold and derivative product portfolios, strengthened analysis and management of capital for bonds and IRS, interest rate sensitivity and maturity structure and explored the investment consultancy business to increase the accuracy and depth of its transaction management, which led to steady increase in profits from transactions, market activity and influence.

Asset Management business accelerated product transformation and investment innovation, achieving rapid growth in scale.

As at the end of 2015, assets under the Bank's management increased 130% compared with the beginning of the year, which was faster than the industry average. There were increasingly more net-worth-type products, in addition to the conventional net-worth-type products, the Bank has developed and designed share-bond hybrid net-worth-type products such as "Preferential Shares Enhanced Yield", "New Shares Enhanced Yield" and "State Bond Futures" which were highly recognized by investors. The Bank actively expanded the equity investment market to accelerate business development and layout.

The Bank successful launched China's first index of the banking system - the Ping An Index series of wealth management products. The Bank successively released the Ping An Bank Cross-asset Optimized Allocation Index, Ping An Bank Global Balanced Index products, and overseas asset allocation by QDIE products. Brand building for the Asset Management business has significant achievement, successfully creating the "Growing Family" net-worth-type product brand and the "Wisdom" series product brand, which were widely recognized by investors and the community. In May 2015, the Bank ranked tenth in China Banking Financial Capability Integrated Financial Capability released by the China Banking Association, and also the Shanghai Securities News 2014 "Golden Money" Outstanding Bank Wealth Management Brand Award and "Golden Money" Best RMB Wealth Management Product Award. In September 2015, the Bank was named "China Best Structured Product Issuer" by Euromoney. In December 2015, by virtue of the achievement in asset management business and product innovation, the Bank won the 2015 CBN financial value list "Best Innovation Bank in Wealth Management Products".

Strengthening changes in business model to promote interbank wealth accounts business with significant increase in number of customers and transaction volume in interbank cooperation

By implementing value customer service system in customer-focused marketing, the number of customers and transaction volume in interbank cooperation significantly increased. The Bank continued to strictly control the scale and risk assets occupancy, emphasizing on new asset quality and earnings to achieve a stable interbank spread and risk assets yield. By expanding non-banking customers, the Bank improved the contribution of deposits by non-banking customers, with deposits from non-deposit-taking financial institutions significantly increased compared with the beginning of the year, therefore increasing the proportion of demand deposits and lowering the overall cost of debt.

III. Discussion and analysis of principal activities(Continued)

(iii)Treasury and inter-bank business(Continued)

The Hang E-Tong Internet platform developed rapidly, quickly improving customer acquisition capability and service level with cooperation customers exceeding 500. The Hang E-Tong Internet platform won the "Shenzhen Financial Innovation 2015 Award", therefore continuously improving the Bank's brand image.

Note Finance continued optimization of business structure

The Note Finance Division continued to grow steadily by improving management and optimizing system processes, therefore improving judgment of the macroeconomic situation. By promoting the marketing of discounted bills business, the Bank has adjusted the business structure to gradually increase the earnings. The Bank has also explored innovative transformation of Internet bills, speeding up the transformation of the business model, improving the business structure and expanding non-interest net income sources.

(iv) Investment banking business

During 2015, non-interest net income from investment banking business amounted to RMB5.389 billion, representing an increase of 67% as compared with that in the same period of last year. As at the end of the reporting period, net assets in custody amounted to RMB3.69 trillion, representing an increase of 105% as compared with the beginning of the year, and custody fee income amounted to RMB2.939 billion, representing an increase of 109.18% as compared with that in the same period of last year.

Significant progress in sector funds

In 2015, the Bank captured strategic opportunities of the deepening national reforms and economic transformation and promoted its sector funds as a key area of its investment banking business so as to support real economic development and throw itself into key areas benefiting to the public welfare, which drove the growth in its debt and interbank revenue and changed its operations.

The Bank focused on developing supply chain and industry leader customers with whom it could forge strategic cooperation. Based on customers' needs, it put into play its advantage in integrated financing and professional operation to assist customers in business expansion, operational transformation and resources allocation to facilitate the in-depth cooperation with companies from different sectors. It developed sector funds for infrastructure construction, investment in PPP projects, placement by listed companies and overseas mergers and acquisitions with focus on strategic regions and key supported industries set by the Chinese government under the One Belt One Road policy.

Continuous growth in bond underwriting

By virtue of its integrated financing channels, the Bank recorded continuous growth in bond underwriting. In 2015, it underwrote bonds of RMB132.95 billion, which increased by 45.10% as compared with the previous year.

Innovative breakthroughs in assets securitization

The assets securitization business made breakthroughs. In 2015, the Bank successfully launched in the inter-bank market two asset securitization products, of which "Ping An Bank 2015 first asset-backed securities for auto-backed loan" was the first asset securitization product for auto-backed loan launched in the inter-bank market by a Chinese commercial bank. The Bank strengthened its marketing of corporate asset securitisation products and cooperated with other banks to make new breakthroughs, which made ready a wide range of financial instruments for customers.

Progress in cross-border business

In 2015, the Bank actively developed its cross-border business and added innovation into its cross-border merger and acquisition financing and funds for A share offering by Chinese concept companies, aiming to provide one-stop ancillary corporate financial services for overseas investment and financing with multi-currency financing in China and overseas satisfying all relevant financing needs.

Custody business developed healthy and rapidly

In 2015, the Bank focused on building and promoting a "first class operation" marketing system by fully making use of the integrated financial ties. Closely following the work policy of "technology guiding, innovation-driven, marketing leading, efficient service,"the Bank continued to build a custody financial ecosystem for the whole industry, therefore creating a"unique" Ping An trust brand.

The Bank has been successively awarded the "Chinese Asset Custody Industry's Most Influential Brand", "National Golden Award • Best Asset Custody Service Bank", "2015 China Best Financial Asset Custody Service Institution" and "2015 IF Internet + Customer + Financial Innovation".

Institutional business developed rapidly

In 2015, taking the opportunity of winning the qualification of non-tax revenue collection agent of the central treasury, the Bank accelerated the business development with various institutions. Consolidating the basis of the central treasury business, while completing the related supporting systems, the Bank has accelerated the system development, debugging and testing work. Standing out from the five new central treasury non-tax revenue agent banks, the Bank has taken the lead in obtaining the system approval by the Ministry of Finance and was highly commented. With the help of local treasury business development, the Bank has successively obtained the qualification of treasury business agent. In 2015, the Bank obtained qualification for non-tax revenue collection and payment agent in six provinces, five municipals and four districts, and direct payment agent qualification in one municipal. In comprehensively promoting the treasury cash management business, the Bank's five pilot branches have absorbed local treasury deposits in an accumulated amount of RMB25 billion, accounting about 4% of the market share.

III. Discussion and analysis of principal activities(Continued)

(v)Small enterprise finance business

Affected by the macro-economy, the small enterprise finance business set its main task as restructuring during 2015. As at the end of 2015, the loan balance of micro and small enterprises amounted to RMB114.1 billion, while personal business loans amounted to RMB107.4 billion, representing an accumulated increase of 5.6% as compared with the beginning of the year. The loan balance managed by small enterprise finance business unit amounted to RMB93.41 billion, representing a decrease of 14.3% as compared with the beginning of the year, of which the strategic product Dai Dai Ping An dual debit-credit commercial card loan balance was RMB52.548 billion, up 16.96% as compared with the beginning of the year. Among the other loans, internet insurance credit and loan with high mortgage rate decreased by RMB23.415 billion, reflecting the improved risk structure.

Affected by the macro-economy, micro and small enterprises faced tight cash flows with shrinking operations and higher credit risk, resulting in an overall increase in relevant NPL ratio to 3.13% as at the end of 2015, with main risks from existing internet insurance business and certain client of high-risk regions. Since 2014, the Bank has adjusted its strategy and targeted client from lower classes. Risk of new businesses was manageable. The overall quality of the strategic product Dai Dai Ping An dual debit-credit commercial card loan assets, which was under strong promotion, was stable, with NPL ratio at 1.76% as at the end of 2015. The amount of NPL and increase in NPL ratio remained manageable.

Expanding client coverage and optimizing business structure

On the one hand, the Bank consolidated tangible commercial businesses and strengthened risk management by implementing accountable marketing and sales list. On the other, it actively expanded the customer base of platforms and upper and lower value chain and designed new batch development models for headquarters-to-headquarters cooperation and flow-shop approval. The Bank has given approval to 275 third-party platforms and sub-value chain projects with credit facilities over RMB5.4 billion, involving logistic, supermarket, home appliances, brand distribution value chains and platforms of e-merchants, third-party information and data.

Accelerating integration with internet to enhance financial service efficiency and client experience

The Bank upgraded traditional businesses to go online, established online financing platforms and promoted mobile service channels such as online banking, mobile phones, Wechat, APP, IPAD, SMS and phone to form a service circle of mobile internet. With respect to innovative services, it launched Ping An Butler and explored comprehensive online management, operation, commercial and exchange platforms specializes for small corporate clients to provide the business sector and small businesses with more derivative added-value services. It strengthened new online tools and internet way of thinking to further improve and apply mobile display tool and client management system and enhance accuracy and sub-division of marketing. By making good use of "We Media" marketing such as Wechat dissemination and mobile internet, it effectively enhanced the efficiency of brand popularization.

Deepening comprehensive financial services on stepping stone Dai Dai Ping An

Dai Dai Ping An dual debit-credit commercial card made steady progress. As at the end of 2015, the number of Dai Dai Ping An dual debit-credit commercial card client totaled 958,600; the deposit balance of Dai Dai Ping An amounted to RMB12.913 billion; the number of holder amounted to 247,100; the credit balance of Dai Dai Ping An amounted to RMB86.481 billion; the loan balance amounted to RMB52.548 billion; and the average interest rate was 15.45%.

Based on the core objectives of Dai Dai Ping An, the Bank produced more repeatable and risk-manageable solution, including standardized the mortgage product - Fang Yi Dai, invoice-based loan products and customized Dai Dai products specialized for quality business clients. It further diversified the portfolio and rights of cards to satisfy clients' individual needs. It also increased development and marketing of settlement and comprehensive financial products, which enabled total coverage over credit, settlement and comprehensive finance. It held various large client appreciation events such as advanced customer appreciation party, praying trip to Putuo Mountain, further improving differentiated services and enhancing customer experience.

Strengthened technological innovative capability for systems, data and models

Leveraging the internet way of thinking and Big Data technologies, the Bank pursued business innovation and strengthened construction of data platforms, increased data application capacity and strengthened precise marketing and risk management models. The innovative platform of full long-distance business management was equipped with functions such as PAD long-distance signature and self-service loan application and pre-examination and approval, which provided small and micro companies with the professional and comprehensive online small and micro financial services.

(vi)Industry business units

The Bank has established six industry business units, namely the real estate finance unit, energy and mining finance unit, transportation finance unit, modern logistics finance unit, modern agricultural finance unit, and healthcare, culture and travel unit. The Bank is also organizing the electronics and information industry and equipment manufacturing business units. As at the end of 2015, the (self-operating) deposit balance of industry business units was RMB169.4 billion, and the loan balance was RMB250.6 billion. Both of them doubled as compared to the beginning of the year. The operating income for 2015 amounted to RMB10.1 billion, representing a year-on-year increase of 41%.

(vii) Integrated finance business

Consistently high performance of corporate cross-selling

The operating income of corporate cross-selling channels in 2015 amounted to RMB1,270 million (including net non-interest income of RMB391 million). Daily average deposit increased by 35% to RMB30.8 billion as compared to the beginning of the year. The intragroup professional subsidiaries contributed to the custody business share for over trillion RMB, accounted for over 31% of the custody business. 121 new projects involving new investment amount of RMB150.0 billion were confirmed through the cooperation between the Bank and the investment series program of Ping An Group, thus contributing RMB800 million of operating income of the Bank.

III. Discussion and analysis of principal activities(Continued)

(vii) Integrated finance business

Strength in integrated finance continued to boost retail development

Integrated Finance business continued to grow, such as retail life insurance comprehensive development new model, Group sold credit cards, bank sales of insurance, and banking-security cooperation. Comprehensive development channels have migrated 1.09 million customers in 2015, with an increase of 20,769 wealth customers compared with the beginning of the year, customer assets increased RMB47.9 billion, deposits increased RMB11.9 billion, while the average assets of new customers continued to increase substantially, with contribution of new customers, wealth customers, assets and deposits to the Bank respectively at 8%, 35%, 29% and 44%. Credit cards brought a class of natural products to the Group subsidiaries, with newly acquired customers through cross-selling channels accounted for about 33% of new card issues. Retail channel sales of Group insurance achieved a non-interest income of RMB607 million, a year-on-year increase of 136%. The branches, credit cards and auto finance channels continued to tap on the rich insurance resources within the group, and created insurance products in cooperation with the Group subsidiaries to suit the customer needs catered to the customer characteristics of each channel, as a result achieved non-interest income of RMB220 million, RMB197 million and RMB190 million respectively, an year-on-year increase of 134%, 60% and 380%. The Bank has deepened the cooperation with securities brokerage companies, successfully created Bank-Securities e-Home, a differentiated third party custody business brand, with specialty products and features such as booking and 24/7 service for wealth management. As at the end of 2015, newly signed Ping An Securities third-party depository customers were 528,500, 11 times of that for the same period last year.

(viii)Wealth management business

As at the end of 2015, the Bank's balance of capital guaranteed wealth management products was RMB239.9 billion and the balance of non-capital guaranteed wealth management products was RMB501.9 billion.

IV. Business innovation

In 2015, the Bank made significant breakthroughs in innovation of business models, products and services and launched a series of innovative products and services which was recognized and well-received by the market, such as Internet of Things Finance, Ping An Orange, Integrated Finance e-Home, Bank-Securities e-Home, Gold Banking, Option Expert and Dai Dai Ping An Personal Cards.

The industry-first internet of things finance - organic integration giving personal property real estate attributes

This was an effective solution to managerial difficulties in financing backed by personal property restructuring the credit environment of personal property financing. Insights into clients based on unprecedented massive data provided brand new and scientific ways for more pinpointing and customized financial products and services, restructuring business models of supply chain and lowering banking thresholds, as well as new opportunities and possibilities of transformation to improving the social credit system and expanding the financial service sector.

Continuous technological and service innovation of Ping An Orange (Ping An Direct Banking)

The Bank continued to explore technological innovation and innovative service models to provide clients with more specific products and services which adapted to the consumption and wealth management habits of young people. It launched three characteristic functions for its inter-bank direct banking, "smart management", "dream account" and "wonderful consumption". Moreover, it had active attempts of innovative cross-industry cross-sector cooperation model and had been gradually promoting the implementation of "One Plus One Multiply" strategy since 2015 to build a financial consumer services ecosystem.

Newly launched personal integrated financial product and service platforms - Integrated Finance e-Home and Bank-Securities e-Home

Integrated Finance e-Home, the first retail integrated finance platform spanning the whole process in the industry, was launched to set standards for electronic "client acquisition, referral and acceptance" and create seamless integration between integrated finance and banking channels. Relying on advantages of the Ping An Group in integrated finance through consolidation of and connection among technologies and systems of designated companies, clients of the group were effectively referred to the Bank, who were then provided with one-stop management and professional services covering the whole process. In addition, the Bank deepened its cooperation with securities brokerage companies by successfully creating Bank-Securities e-Home, a differentiated third party custody business brand, with specialty products and features such as booking and 24/7 service for wealth management.

Rising brand influence of "Gold Banking", "Option Expert" and "Smart Transaction"

The gold leasing business experienced steady development, with turnover and trading volume in the lead among joint stock banks. Gold assets management accounts were integrated with Pocket Banking, Ping An Orange and One Wallet, which further diversified channels for marketing and acquiring clients, resulting in a significant approximately 12 times increase in the account number from the beginning of the year.

The one-stop integrated trading platform for financial products - Ping An Easy Trade for personal clients was launched, which provided them with multi-channeled spot trading of foreign exchange and relevant options in a single account and drew wide market attention by its product diversity and easy and efficient processes.

Management Discussion and Analysis

IV. Business innovation(Continued)

The interbank wealth accounts business was comprehensively improved by new features such as four interest rate value-added services (amount arbitrage, duration arbitrage, term deposits and two-phased interest accrual) of relevant products, which increased the overall balance and ratio of demand deposits and cooperation with peers.

The Bank successful launched China's first index of the banking system – the Ping An Index series of wealth management products. The Bank successively released the Ping An Bank Cross-asset Optimized Allocation Index and Ping An Bank Global Balanced Index products.

Customized Dai Dai Ping An Personal Cards migrating offline business to online and enhancing client experience

In order to satisfy the needs of SMEs at different levels through differentiated services or solution portfolios, the Bank rolled out customized Dai Dai products (over RMB1.00 million) in addition to the standard Dai Dai Ping An (below RMB1.00 million) and the standardized mortgage product - Fang Yi Dai, with a view to further diversifying the Dai Dai card division and continuing to improve customer service and experience. On top of the existing gold card, platinum card, Buddhist culture card and co-branded card, the black diamond card and corporate card were launched, aiming to provide SME clients with more investment-bank-like experience and services and convenience in settlement and use. E-invoice Loan (发票贷) products under Dai Dai Ping An Orange were put on the market, which was first promoted in supermarkets and places of other sectors and has provided financing services to over 1,000 SMEs with underlying loans above RMB1.0 billion.

V. Risk Management

(i) Credit risk

Credit risk refers to the risks where borrowers or trading counterparties of the Bank cannot perform their obligations in accordance with agreements reached in advance.

The Bank has established a centralized, vertical and independent comprehensive risk management structure with a risk management model featuring "on-site risk management by appointment and matrix dual reporting lines" led by the Risk Management Committee at the headquarters to coordinate risk management at each level, with various professional departments at the headquarters, including the risk management department, corporate credit approval department, asset control department and retail credit management department are responsible for all credit risk management, and the Risk Management Committee at the headquarters appointing a risk management vice president/risk director to each branch/ business department and a risk director to each business department to handle all the credit risk management duties at the relevant unit. In addition, the Company has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Details are as follows:

1. In terms of pre-credit issue evaluation and investigation, the Bank has established a comprehensive due diligence system to substantiate risk prevention at the stage of pre-credit issue due diligence and standardized pre-credit issue investigation to enhance quality of pre-credit issue work. It has employed strict evaluation on clients against qualifications to prevent improper issue of credit by untrue production or operational information and false information. It has verified the amount of credit facilities applied for by clients and information provided by them as well as their solvency on an objective basis to prevent issue of credit on false information or false guarantees.

2. In terms of credit issue review and approval, the Bank has established correspondent systems of authorization management, examination management, size management and supervision management which require the latest credit data of clients be obtained from multiple sources and comprehensive and scientific calculation of amounts of credit facilities to be issued. It has made credit approval in accordance with established procedures to rigorously prevent reverse operations, approval beyond authorization and defraud of clients involving its staff. It forbade any false statement in investigation/due diligence reports, arbitrary lowering of qualifications and improper decision-making on approval by departments or staff authorizing or supporting relevant work.

3. In terms of execution of contracts and issue of credit facilities, the Bank has established systems of contract management and issue management and adhered to signing of contracts in person to prevent issue with conditions unsatisfied or material changes in operation of clients and issue on forged confirmation of issue.

4. In terms of post-credit issue management, the Bank has established sophisticated systems of credit risk monitoring and warning, problematic credit management, non-performing asset management and accountability providing for risk monitoring, warning, control, reporting, reaction and statistics covering from taking effect of credit contracts to completion or termination of such contracts and requiring supervision of facilities use by clients' by closely tracking clients' operation and regular checking collateral on-site to prevent credit loan embezzlement, transfer of assets or non-performing guarantees.

(ii) Market risk

The Bank continues to improve its market risk management system by pushing forward with relevant internal modelling projects, optimizing relevant measurement models and data quality and accelerating the establishment of relevant managerial information system, which enhances the whole Bank's market risk management and measurement and enables effective responses to changes of market conditions, thereby safeguarding the steady development of financial transaction and investment businesses.

Management Discussion and Analysis

V. Risk Management(Continued)

(ii) Market risk(Continued)

1. Management objective, policy and procedure of market risk

The Bank's market risk management objective is to establish a standardized, scientific and effective market risk management system, and lay a solid foundation for increasingly enhancing market risk management, balancing between risk and revenue and market competitiveness of the Bank on the basis of meeting regulatory and internal management requirements.

The Bank continues to improve existing policies, systems and work flow by establishing a market risk management system integrating basic rules, general administration and operation and covering the whole process from risk identification, measurement, monitoring report to control. Relevant rules are also actively put into practice.

2. Organization structure and management functions of market risk management system

The Bank's market risk governance structure consists of three levels, including the Board, senior management and its committees and execution levels. The Board of the Bank is the chief decision-making body with respect to market risk management and undertakes ultimate responsibility for market risk management. Senior management and its committees are responsible for examining material matters in relation to the management of market risk as authorized by the Board and listening to regular market risk management report by the execution level.

Risk Management Department is the leading market risk management and execution department of the Bank while remaining independent of frontline business departments. Risk Management Department's responsibilities in market risk management including: formulating general policies and procedures on market risk management; identifying, measuring and monitoring market risk; leading the Bank in managing relevant quotas; designing and carrying out back-testing and relevant stress tests; evaluating market risk of new products; taking charge of the administration and maintenance of relevant systems and reporting; and others.

3. Type, overall market risk level of market risk exposures and risk position and risk level of different market risks

The principal market risk faced by the Bank comes from interest rates and the position of exchange rate products (including gold).

Transaction account interest rate risk comes from the change in interest rates and product price of the transaction account resulting from the change in market interest rates, which in turn affects the profit or loss of the Company for the year. The Bank mainly manages the transaction account interest rate risk by adopting measures such as the interest rate sensitive limit, value at risk (VaR) and daily and monthly stop-loss limit to ensure that interest rate risk of trading accounts are within the affordable scope.

Bank account interest rate risk refers to risks of losses from overall revenue and economic value of bank account resulting from adverse changes in elements including interest rate and maturity structure. The Bank regularly monitors re-pricing gaps of RMB interest-earning assets and interest-bearing liabilities within their respective duration, and regularly conducts scenario analysis and stress test on interest rate risk by using an asset/liability management system. The Bank closely monitors the duration matching of various businesses, the impact of changes in net assets of institutions on the proportion of net assets, strictly controls interest rate sensitive related indicators and implements prudent risk management. Under the leadership of the pricing risk decision-making committee and through the interest rate trend prediction mechanism and risk hedging mechanism, pricing models of different products are managed based on a unified interest rate prediction to exercise active control over interest rate risk exposure. The Bank regularly convenes the Asset and Liability Management Committee meetings to actively adjust the asset/liability structure and scientifically manages interest rate risk according to analysis of future macro-economic trends, market capital and credit policies of the Peoples' Bank of China.

Exchange rate risk mainly includes risk of loss due to adverse exchange rate changes from foreign exchange exposure caused by currency structure imbalance between foreign currency assets and liabilities as well as foreign exchange exposure caused by foreign exchange derivatives trading. Exchange rate risk faced by the Bank primarily derives from loans, advances, capital lending, deposits held by the Bank and spot, forward, swap and option trading which are not denominated in RMB. The Bank set limits for each currency position, monitors scale of currency position daily and controls the position within a settled limit by hedging strategy.

(iii) Liquidity risk

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient fund at reasonable cost or cannot obtain sufficient fund in a timely manner to satisfy its business development needs or settle due debts and other payment obligations.

The Board of the Bank undertakes ultimate responsibility of liquidity risk management. The Asset and Liability Management Committee is the Bank's superior management institution in liquidity risk management. The Asset and Liability Management Department, directed by the Asset and Liability Management Committee, is responsible for daily liquidity risk management of the Bank. The Board of Supervisors of the Bank regularly monitors and assesses duty performance of the Board and senior management in liquidity risk management. The Audit and Supervision Department is the internal audit department for liquidity risk management.

The Bank attaches great importance to liquidity risk management and constantly improves liquidity risk management framework and management strategy. The Bank effectively identifies, measures, monitors and controls liquidity risk, regularly carries out liquidity risk stress tests, prudently assesses future liquidity needs, continues to improve and refine liquidity risk emergency plans, formulates specific solutions for specific events, enhances communication and synergetic work between relevant departments, so as to improve liquidity risk response efficiency.

As at the end of the reporting period, the Bank maintained sufficient liquidity and all important liquidity indicators reached or exceeded regulatory requirements. The Bank witnessed steady growth in various businesses, and continued to keep a considerable proportion of assets with good liquidity.

The Bank will continue to improve the pertinence and flexibility of liquidity risk management, and maintain a balanced development between the source of funds and utilization of funds. At the same time, the Bank will optimize assets and liabilities structure, enhance stable deposits management, and consolidate liquidity foundation throughout the Bank.

(iv) Operational risk

Operational risk refers to the risk of incurring losses resulting from imperfect or defective internal procedures, staff and information technology systems as well as external events.

Following the strategy of bank-wide risk management and adhering to the ideas of "change, innovation and development" and the principle of "risk-oriented", the Bank actively give force to the New Basel Capital Accord, deepens the general operational risk management, put into practice operational risk management tools, systems and relevant mechanism, and strengthens supervision and assessment on operational risk management, enabling an effective improvement on the identification, assessment, monitoring and control/mitigation of operational risk throughout the Bank. During the reporting period, there was no material operational risk incident. Details are set out as follows:

V. Risk Management(Continued)

(iv) Operational risk(Continued)

1. The Bank organized active bank-wide review and evaluation of and improvement to its operational risk management system to effectively enhance the integrity, compliance and effectiveness thereof, and made smooth progress in application for preliminary evaluation of relevant advanced capital measurement methods.

2. The Bank continued to consolidated operational risk management foundation, optimized and upgraded the relevant framework, rules, systems and assessment, and strengthened operational risk management of branches and related support, on-site tutoring and assessment.

3. The Bank deepened and enhanced the depth, coverage and effectiveness of the application of its three main operational risk management tools, namely, operational risk and control self-assessment (RCSA), key risk indicators (KRI) and loss data collection (LDC), so as to steadily improve its capabilities of identification, assessment, monitoring, alert and rectification relating to the risk, thereby making active prevention and resolution of relevant risks and supporting sound business development.

4. The Bank strengthened the consolidation, optimization and promotion of its operational risk management systems by effectively enhancing the convenience, functional integrity and operational stability of such systems, thereby continuously enhancing the efficiency and informatization of operational risk management throughout the Bank.

5. The completeness and compliance of on-going business management systems were orderly uplifted with emphasis placed on business continuity contingency and impact analysis in order to continue reinforcing relevant fundamental management throughout the Bank and enhancing the ability to make contingent business responses.

6. Outsourcing risk management requirements were comprehensively put into force to improve outsourcing management systems, while risk control over key areas was increased through active evaluation and enhancement of relevant management.

7. The Bank thoroughly commenced the construction of operational risk culture, and created a good operational risk management culture via various forms of training and promotion activities, which have gradually rooted the concept of"taking operational risk management as everyone's duties" in its staff's minds.

(v) Reputation risk

Reputation risk refers to the risk of negative evaluation on the Bank by stakeholder resulting from the Bank's operation and management and other behaviors and external events.

Reputation risk management is an important component of corporate governance and comprehensive risk management system, which covers all areas of the Bank including operational management, business activities and staff behaviors. Efforts of the Bank in reputation risk management in 2015 mainly included: firstly, improving relevant systems by amending the Administrative Measures on Reputation Risk as approved at a Board meeting; secondly, further enhancing reputation risk front management by strengthening self-behavior regulation; thirdly, carrying out to pinpointing rectification against potential risk found out during reputation risk investigation conducted in advance, and formulating effective prevention and response measures; fourthly, continuously optimizing its monitoring mechanism on public sentiment by increasing frequency of monitoring new media such as Weibo and WeChat and expanding the scope so as to increase the initiative of relevant management; fifthly, continuously strengthening crisis management systems through integrated use of methods to boost the efficiency and effectiveness of handling sensitive public sentiment; sixthly, increasing reputation risk training and education as well as promotion, and enhancing reputation risk awareness across the Bank by means of training and drills; seventhly, increasing relations maintenance with key media and constructing networks through self-media to keep consolidating foundations for its reputation risk management; and eighthly, increasing reputation risk assessment and including such assessment in the general risk assessment as a key indicator.

In 2015, the Bank maintained a good reputation risk overall and there was no material reputation risk incident.

(vi) Country risk

Country risk refers to the risk of borrowers or debtors in a certain country or region failing or unwilling to repay debts to financial institutions in the banking industry, or financial institutions in the banking industry in a country or region suffering from losses or incurring other losses due to economic, political and social changes and incidents in such overseas country or region.

The Bank has formulated the Administrative Measures for the Management of Country Risk of Ping An Bank in compliance with regulatory requirements, which specifically stipulated the country risk management responsibilities, management methods and work process, and has established and standardized the country risk management system. The Bank monitors the dynamic changes of country risk, seriously carries out rating on country risk and limit management, supervision and pre-warning and country risk provision.

(vii) Other risk

Other risks faced by the Bank include legal risk and compliance risk.

1. **In respect of legal risk management,** the Bank continues to enhance the level of its legal risk management throughout the Bank according to overall deployment of risk management strategy. In 2015, the Bank improved its relevant systems by further amending its legal documents, reviewing relevant systems, promptly amending and revising standard form contracts to enhance business efficiency, and through orderly day-to-day legal inspections and consultation, which provided timely, professional and effective legal support for developing new products, carrying out new businesses and material projects. Legal review and relevant risk warning and alert were carried out for key businesses to prop up sound business development. Furthermore, the Bank commenced management of litigation and non-litigation cases which was comprised of consistent and regular tracking, reviewing, reporting, analyzing and discussion mechanisms to handle both types of cases and avoid economic loss in certain litigations, thereby effectively safeguarding the legitimate interest of the Bank. Early intervention and proper handling were carried out for non-litigation disputes and emergency cases, so as to effectively prevent, control and mitigate legal risks.

Generally speaking, the Bank carries out its legal risk management with the focus on three legal, namely pre-risk prevention, in-risk control, and post-risk mitigation. The Bank has also established an institutionalized, standardized and systematic management mechanism in key legal risk management areas, and strengthened its ability to prevent, control and dissolve legal risk in standardizing systems and process, thus maintaining a steady upward trend in efficiency of relevant management and achieving the overall strategy goal of comprehensive risk management of the Bank.

V. Risk Management(Continued)

(vii) Other risk(Continued)

2. **In respect of compliance risk management,** the Bank closely follows its operation development strategy, improves its case compliance system, carries out various incident prevention, compliance management measures and risk control tools in accordance with the "bank-wide risk management" strategy and work requirements of "establishing a strong head office", thus ensuring operation in compliance with laws and regulations. The Bank achieved the target of no material case or anti-money laundering incident during the year, thus providing effective compliance support for the sound and swift development of the Bank's businesses and further reinforced foundations of risk prevention. Details are set out as follows:

(1) The Bank reinforced its internal control compliance system. It strengthened staff management, adjusted and filling up configuration of the workforce and institutions and facilitated the establishment of preventive compliance structures among business lines and departments. It revised its compliance systems by amending relevant management rules, preventive practices and anti-money laundering management rules, which further enhanced its preventive compliance systems.

(2) Preventive measures were strengthened through further reinforcing relevant protocols among business lines, supervisions of branches, risk inspection, condition analysis and seminars and practices such as incidents handling, which raised the overall level. Penalty for non-compliance was increased with incidents and material non-compliance included in appraisal to induce the stable and compliant operation of the Bank.

(3) Support of business compliance management was strengthened with keen attention paid to governing regulations. Regulatory Express, New Law Direct Train and other devices were used to promptly communicate regulatory requirements to the whole bank to promote internalization of external compliance. Compliance evaluation of new products before going into the market was intensified to comprehensively examine, assess and mitigate business-sensitive risks. The system management was strengthened throughout the Bank and the establishment of a procedure and systematic system management was carried on. Through online means, the Bank regularly organized and monitored the implementation of its year plan, as well as bank-wide relevant training to optimize its system management system and enhance the efficiency and quality of relevant management.

(4) The Bank implemented anti-money laundering management measure by devising and designing a new monitoring system of a terrorist financing "black list" and by continuously optimizing the functionality of its anti-money monitoring system to enhance quality thereof. It strengthened anti-money laundering management of its high-risk business by specific reviews over offshore businesses, online businesses and others. Relevant training and education carried on. In order to consistently fulfill its related obligations, relevant work was carried out and anti-money laundering management was further enhanced.

(5) Compliance culture was vigorously cultivated in order to raise the compliance awareness of all staff of the Bank, thus creating a good atmosphere of compliance culture. The Bank organized the "Union Cup" Compliance Star Contest and the "Four Ones" incident prevention compliance activities for all staff, further improving education about incident prevention compliance culture. Through on-site training, online courses, courses in the mobile app "Zhi Niao" and other means, training with respect to incident prevention, compliance and anti-money laundering was offered targeting groups such as departmental staff, compliance-related personnel and new employees to strengthen the concept of "compliance is everyone's responsibility".

VI. Capital adequacy ratio and Leverage ratio

(i) Capital adequacy ratio

(In RMB million)

Item	December 31, 2015	December 31, 2014	December 31, 2013
Net core tier one capital	150,070	119,241	100,161
Other tier one capital	-	-	-
Tier one net value	150,070	119,241	100,161
Tier two capital	31,735	30,710	15,723
Net capital	181,805	149,951	115,884
Total risk-weighted assets	1,661,747	1,380,432	1,170,412
Credit risk-weighted assets	1,506,963	1,266,583	1,087,683
On-sheet risk-weighted assets	1,274,366	1,029,511	898,589
Off-sheet risk-weighted assets	226,879	232,909	181,995
Risk-weighted assets exposed to counterparty credit risk	5,718	4,163	7,099
Market risk-weighted assets	16,107	10,524	4,247
Operational risk-weighted assets	138,677	103,325	78,482
Core tier one capital adequacy ratio	9.03%	8.64%	8.56%
Tier one capital adequacy ratio	9.03%	8.64%	8.56%
Capital adequacy ratio	10.94%	10.86%	9.90%
Risk exposure balance of credit risk asset portfolio after risk mitigation:			
Risk exposure balance of on-sheet credit risk assets after risk mitigation	2,064,386	1,833,839	1,690,974
Off-sheet risk exposure balance after transfer	527,759	507,936	411,158
Counterparty credit risk exposure	1,285,450	953,518	486,980

Note: For credit risk, the capital requirement is measured using the weighting method. The market risk is measured by adopting the standard approach and the operational risk is measured by using the basic indicator approach. During the reporting period, there was no material change to them. Please refer to "Investor Relations" on the Bank's website (bank.pingan.com) for further details of the relevant capital management.

VI. Capital adequacy ratio and Leverage ratio (Continued)

(ii) Leverage ratio

(In RMB million)

Item	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Leverage ratio	4.94%	4.65%	4.50%	4.46%
Core Tier 1 Capital, net	150,070	145,706	139,365	125,107
Balance of assets on and off sheet after adjustment	3,035,027	3,133,265	3,095,963	2,806,981

Note: The higher leverage ratio as at the end of the reporting period was mainly due to increase in profits and core tier 1 capital. Please refer to the website of the Bank (bank.pingan.com) for further details of the leverage ratio.

VII. Prospects on the Bank

Forecast of operating results during January to March 2016

Forecast of a possible loss or substantial changes in aggregate net profit from beginning of the year to the end of next reporting period over the same period, and explanations of reasons therefore

☐ Applicable √ Not applicable

(i) Macro-environment

Looking forward to 2016, the global economic development will maintain the divergence with China's economic growth entering into its new normal changing from high speed to mid-to-high.

(ii) Industry competition pattern and development trend

Amidst China's change of its economic driving force, the environment in which commercial banks operate will experience huge evolution with a general trend of "emergence of structural opportunities, intertwined opportunities and challenges, and aggravated divergence among industries". For opportunities, commercial banks are to capture the followings:

1. Opportunities of steady development arising from growth stabilizing policies. At the governmental level, a series of growth stabilizing policies, such as continuously accommodative monetary policies and proactive financial policies, will be adopted, providing support to the steady development of banks. Accommodative monetary policies, in particular diversified open market instrument portfolios and the model of interest rate corridor, will provide external support to asset and liability management and liquidity management of banks. Proactive financial policies such as infrastructure construction, One Belt, One Road and regional developmental policies will not only prop up assets-related business through related projects but also create room in the market for expanding the client base.

2. Opportunities of emerging businesses arising from the Thirteenth Five-year plan. The Thirteenth Five-year plan lays out development concepts for the next five years, including emerging industries under One Belt, One Road such as cross-border investments, consumption finance and energy saving, mergers and reorganizations under the reforms of state-owned companies, governmental finance, pension asset management, emerging financing channels for the service sector, internationalization of renminbi, the registration scheme, green finance under the finance and taxation reforms and others.

3. Opportunities of retail finance arising from the era of growing wealth. The people have become in possession of a certain level of wealth such that there is a shift from rapid increase in personal income flow to booming wealth building. Financial needs based on consumption turned from simple deposits and loans to diversified asset allocation and well-rounded asset and liability management for individuals and families accompanied by mounting demand for financial products and services. These changes are creating opportunities for banks to develop retail finance, in particular wealth management.

4. Opportunities of integrated finance arising from reforms of financial regulation. Regulators are shifting to integrated regulation, creating for banks opportunities with respect to diverse license portfolios, development of integrated finance and lower regulatory costs.

5. New financial opportunities brought by new technologies. The swift strides made in information technology, such as the flourishing internet, internet of things and blockchains, are re-entering the financial stage. Commercial banks must adapt to the developmental pattern of these new technologies and the development trend of the financial sector in order to assimilate the technological advances for developing innovative products, services and risk control models as well as new framework of financial business for the future.

Management Discussion and Analysis

VII. Prospects on the Bank(Continued)

(iii) Corporate development strategy

2016 is the first year of the Thirteenth Five-year plan of China. Under the new environment and new missions, the Bank will, while adapting to economic trends and policy directions, promote reforms of itself as the supplier focusing on better quality and efficiency and transformation of departments and branches, so as to make progress step by step in service level and organization and satisfy clients' ever increasing financial and non-financial needs. It will also make efforts in building its three fronts of smart finance, boutique finance and eco-finance, strive to make new points of growth in industry funds, cross-border finance and internet of things finance and comprehensively develop retail business, Orange-e-Net, SME business and wealth management. Together with stronger risk management and leadership over the middle and back offices, the Bank will extend its exploits in the unfolding history.

(iv) Operating plan

In 2016, the Bank will maintain its investment in construction of fundamental platforms, product development, resource allocation to strategic businesses and building of systems with expenditure higher than that in 2015 but an overall manageable input-output ratio. Moreover, it will pay more attention to its collection of existing non-performing assets and more efforts in write-offs and group disposals, improving its risk management systems, research and analysis of the market environment and analysis of industry trends, with a view to promoting rapid, sound and sustainable business development, continuous and reasonable growth in net profit and long-term and steady return for shareholders.

(v) Risk management

In 2016, the Bank will carry out its risk management work mainly from the following aspects:

1. Stronger analysis and research and support of innovative business development

It will carry through its risk policies of better clients through stringent quota management against high-risk industries, and of professional and characterized operational strategies and branch-specific strategies promoting characterization and differentiation. It will strengthen research into national macro-economy, business strategies and innovation and deepen analysis and research of national policies, regional economies, industry development and its operation to make timely business restructuring and optimization of capital allocation.

2. Stronger credit management and control over asset quality

The Bank will implement stronger management before granting to control risk from the root, authorization management systems to make dynamic adjustments, risk assessment to tighten accountability for non-compliance, control over further and existing loans through multi-pronged measures to contain non-performing assets at a reasonable level, and monitoring and alert systems and review mechanisms to better control risk in key areas.

3. Enhancing compliance operation covering all staff

By cultivating compliance risk management culture and imposing heavy penalties and severe punishment on non-compliance behavior, the Bank is able to ensure compliance by its entire staff in conducting business activities. By strengthening re-education in risk culture and compliance awareness and strict controlling of case risks, the Bank is able to ensure zero occurrence of material cases.

4. Stronger building of systems and management of data quality

The application of data analysis services will be further deepened and spread in risk management to continuously optimize and improve the functionality of systems. Functions of the risk data mart will keep improving. Standards of asset quality will put in place to ensure stronger data quality management.

5. Stronger building of big data and tool systems

Progress of building big data will be spurred to further deepen and promote the application of data analysis services in risk management. The application of technological tools and models will be optimized to suit risk management needs of innovative businesses. Platforms of business and risk management systems will be optimized to meet needs of sub-divided business management. New Capital Accord projects and the establishment of relevant tools will be accelerated and a unified credit data platform and applicable management module will be established.

6. Stronger team building and staff management and consolidating fundamental work of risk management

Through improvement of risk management organizational structure and team building, risk management structure at different levels will be implemented. Duties, management objectives, performance assessment of risk management organizations at different levels will be clearly defined, and accordingly personnel arrangement for risk staff will be enhanced. Improvements are made on risk policy system, portfolio management, risk management process, and the operation process of credit investigation and approval, granting of loans, risk control and assets recovery.

VIII. Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for last year

□ Applicable √ Not applicable

Management Discussion and Analysis

IX. Surveys and visits received and relevant matters

During the reporting period, the Bank communicated with institutions for a number of times in connection with the Bank's operations, financial position and other matters through results briefings, analyst conference, receiving visits by investors and accepting telephone enquiries by individual investors. Main subjects communicated included: the operational management and development strategy of the Bank, regular reports, announcements and their descriptions. Pursuant to the Guidelines on Fair Information Disclosure on the Shenzhen Stock Exchange, the Bank and the obligor for the disclosure of relevant information strictly complied with the principle of information disclosure without violations of fair information disclosure.

1. Investors received by the Bank during the reporting period are set out below:

(In RMB million)

Time of reception	Means of reception	Types of reception objects	Particulars available on
2015/02/06	Physical survey	Institution	www.cninfo.com.cnInvestor Relation Event List of the Bank
2015/03/13	Physical survey and telephone communication	Institution	
2015/03/23	Visit	Institution	
2015/05/11	Physical survey	Institution	
2015/05/13	Investment banking conference	Institution	
2015/06/26	Open day	Institution	
2015/08/14	Physical survey and telephone communication	Institution	
2015/08/24	Visit	Institution	
2015/09/21	Communication by telephone	Institution	
2015/10/27	Physical survey	Institution	
2015/11/06	Investment banking conference	Institution	
2015/11/23	Open day	Institution	
2015/12/02	Physical survey	Institution	
Anytime	Communication by telephone and written enquiries	Individual	
Times of reception			653
Number of institutions received			669
Number of individuals received			640
Number of other objects received			0
Whether disclosed, revealed or released any unpublished material information			No

2. List of surveys, communication, visits and others from the end of the reporting period to the date hereof

Time of reception	Means of reception	Types of reception objects	Particulars available on
2016/02/02	Physical survey	Institution	www.cninfo.com.cnInvestor Relation Event List of the Bank
Times of reception			151
Number of institutions received			8
Number of individuals received			150
Number of other objects received			0
Whether disclosed, revealed or released any unpublished material information			No

Significant Events

I. Particulars of Profit Distribution Implementation of Ordinary Shares and Conversion of Capital Reserves into Share Capital by the Company

(I) Formulation, implementation and adjustment of profit distribution policy during the reporting period

The Bank considered and passed "Planning on Return to Shareholders in Coming Three Years (2015-2017) of Ping An Bank Company Limited" on the General Meeting of 2014 convened on April 2, 2015. The Bank has clearly stated that the profit to be distributed in cash for each of the coming three years (2015-2017) ranges from 10% to 30% of the distributable profit for the year. The Bank is now at a mature stage with significant capital expenditure arrangement. During the coming three years (2015-2017), when the Company distributes its profits in the form of cash, shares or a combination of cash and shares, cash dividend payout ratio of the profit distribution for the year shall be at least 40% (including 40%) on a priority basis that the capital adequacy ratio of the Company meet the regulatory requirement.

Based on the Bank's total capital of 11,424,894,787 shares on December 31, 2014, the Bank's profit distribution for 2014 was RMB1.74 in cash (tax inclusive) and 2 shares were created per 10 shares out of its capital reserve. The Bank issued the Announcement of the Implementation of 2014 Annual Equity Distribution of PAB on April 7, 2015. The date of equity record of the profit distribution was April 10, 2015, while the date of ex-rights was April 13, 2015. The Bank's annual profit distribution of 2014 was completely implemented during the reporting period.

Particulars of cash dividend policy	
Compliance with requirements under the Articles of Association or resolutions at general meetings:	Yes
Preciseness and clearness of bases and ratios:	Yes
Comprehensiveness of relevant decision-making procedures and mechanisms:	Yes
Due performance of duties and functions by independent directors:	Yes
Opportunities for minority shareholders to express views and demands and proper protections of minority interests:	Yes
Compliance and transparency of adjustment or modification conditions and procedures:	Yes

(II) Profit distribution proposal or plan and proposal or plan on converting capital public reserve into equity for the last three years (including the reporting period)

I. Profit Distribution Proposal for 2015

In 2015, the audited net profit attributable to the shareholders of parent company was RMB21,865 million and the distributable profit was RMB63,533 million.

Pursuant to the above profit and the relevant requirements of China, the Bank made the following profit distribution for the year of 2015:

1.Accrued statutory surplus reserve of RMB2,187 million according to the 10% of the profit after tax as audited by domestic Certified Public Accountants.

2. Provision of general risk provisions of RMB8,413 million, representing 1.4% of the balance of risk assets at the end of the reporting period.

Upon the aforesaid profit-distribution, as of December 31, 2015, the Bank's surplus reserve amounted to RMB8,521 million; general risk provisions amounted to RMB27,528 million and the remaining undistributed profit amounted to RMB52,933 million.

3.Taking into account the factors such as the investment returns for the shareholders of the Bank, the capital adequacy ratio requirement stipulated by the regulatory authorities and the sustainability of the Bank's business, apart from the above mentioned statutory profit distribution, it is proposed to distribute a dividend of RMB1.53 in cash (tax inclusive) and bonus issue of 2 shares for every 10 shares by way of conversion of capital reserve on the basis of the Bank's total share capital of 14,308,676,139 shares on December 31, 2015. There will be RMB2,189 million for cash dividend distribution and the capital reserve of RMB2,861 million will be converted into share capital in total. Upon completion of cash dividend distribution and issue of share by way of conversion of capital reserve, balance of the Bank's undistributed profit will be RMB50,744 million and the total capital will be changed to 17,170,411,366 shares.

The above proposals are subject to the consideration and approval by the shareholders of the Bank at the annual general meeting for the year 2015.

II. Profit Distribution Proposal for 2014

In 2014, the audited net profit attributable to the shareholders of parent company was RMB19,802 million and the distributable profit was RMB48,242 million.

Pursuant to the above profit and the relevant requirements of China, the Bank made the following profit distribution for the year of 2014:

1.Accrued statutory surplus reserve of RMB1,980 million according to the 10% of the profit after tax as audited by domestic Certified Public Accountants.

2. Provision of general risk provisions of RMB2,606 million, representing 1.3% of the balance of risk assets at the end of the reporting period.

Upon the aforesaid profit distribution, as of December 31, 2014, the Bank's surplus reserve amounted to RMB6,334 million; general risk provisions amounted to RMB19,115 million; and the remaining undistributed profit amounted to RMB43,656 million.

3. Taking into account the factors such as the investment returns for the shareholders of the Bank, the capital adequacy ratio requirement stipulated by the regulatory authorities and the sustainability of the Bank's business, apart from the above mentioned statutory profit distribution, it is proposed to distribute a dividend of RMB1.74 in cash (tax inclusive) and bonus issue of 2 shares for every 10 shares by way of conversion of capital reserve on the basis of the Bank's total share capital of 11,424,894,787 shares on December 31, 2014. There will be RMB1,988 million for cash dividend distribution and the capital reserve of RMB2,285 million will be converted into share capital in total. Upon completion of cash dividend distribution and issue of share by way of conversion of capital reserve, balance of the Bank's undistributed profit will be RMB41,668 million and the total capital will be changed to 13,709,873,744 shares.

III. Profit Distribution Proposal for 2013

In 2013, the audited net profit attributable to the shareholders of parent company was RMB15,231 million and the distributable profit was RMB34,362 million.

Pursuant to the above profit and the relevant requirements of China, the Bank made the following profit distribution for the year of 2013:

1.Accrued statutory surplus reserve of RMB1,523 million according to the 10% of the profit after tax as audited by domestic Certified Public Accountants.

2.Provision of general risk provisions of RMB2,876 million, representing 1.2% of the balance of risk assets at the end of the reporting period.

Significant Events

I. Particulars of Profit Distribution Implementation of Ordinary Shares and Conversion of Capital Reserves into Share Capital by the Company(Continued)

(II) Profit distribution proposal or plan and proposal or plan on converting capital public reserve into equity for the last three years (including the reporting period)(Continued)

Upon the aforesaid profit distribution, as of December 31, 2013, the Bank's surplus reserve amounted to RMB4,354 million; general risk provisions amounted to RMB16,509 million; and the remaining undistributed profit amounted to RMB29,963 million.

3.Taking into account the factors such as the investment returns for the shareholders of the Bank, the capital adequacy ratio requirement stipulated by the regulatory authorities and the sustainability of the Bank's business, apart from the above mentioned statutory profit distribution, it is proposed to distribute a dividend of RMB1.60 in cash (tax inclusive) and bonus issue of 2 shares for every 10 shares by way of conversion of capital reserve on the basis of the Bank's total share capital of 9,521,000,000 shares on December 31, 2013. There will be RMB1,523 million for cash dividend distribution and the capital reserve of RMB1,904 million will be converted into share capital in total. Upon completion of cash dividend distribution and issue of share by way of conversion of capital reserve, balance of the Bank's undistributed profit will be RMB28,440 million and the total capital will be changed to 11,425,000,000 shares.

(III)Table of cash dividend for the last three years

(In RMB million)

Year with dividend payout	Cash dividend (tax inclusive)	Net profit attributable to shareholders of the listed company in the consolidated statements of the year with dividend payout	Ratio of dividends to net profit attributable to shareholders of the listed company in the consolidated statements
2015	2,189	21,865	10.01%
2014	1,988	19,802	10.04%
2013	1,523	15,231	10.00%

(IV)The profit of the Bank and undistributed profit of the parent company were positive but with no cash dividend distribution proposal during the reporting period

□ Applicable √ Not applicable

II. Profit distribution and proposal on converting capital public reserve into equity during the reporting period

√ Applicable ☐ Not applicable

Number of shares per 10 shares as share dividends (share)	-
Dividend per 10 shares (RMB) (tax inclusive)	1.53
Number of bonus shares for every 10 shares (share)	2
Basis of share capital of distribution plan (share)	14,308,676,139
Total cash dividend (RMB) (tax inclusive)	2,189,227,449
Distributable profit (RMB)	63,532,769,629
% of cash dividends in total a profit distribution	100%
Cash dividend policy for the year	The Bank is now at a mature stage with significant capital expenditure arrangement. When the Company distributes its profits, cash dividend payout ratio of the profit distribution for the year shall be at least 40%.
Details of proposal for profit distribution or capital reserve conversion	As audited by PricewaterhouseCoopers Zhong Tian LLP, the balance of capital reserve - share premium of the Bank as at December 31, 2015 amounted to RMB59,326 million. As per the "Proposal on 2015 Profit Distribution of Ping An Bank Co., Ltd.", based on the Bank's total share capital of 14,308,676,139 shares on December 31, 2015, the Bank intends to convert its capital reserve into 2 shares per 10 shares, amounting to RMB2,861 million in aggregate. The conversion is in compliance with the requirements of relevant Accounting Standards for Business Enterprises and relevant policies. Such proposal is subject to approval at the annual general meeting of the Bank for 2015.

Significant Events

III. Fulfillment of commitments

1. Undertakings performed during the reporting period or undertakings has not been performed as at the end of the reporting period by the Company, shareholders, de facto controller, offeror, directors, supervisors, senior management or other related parties.

√ Applicable ☐ Not applicable

Commitments	Type of commitmen	Undertaker	Contents	Date	Term	Status
Commitments made upon Asset Restructuring	Undertaking regarding competition, related party transactions and independence	Ping An Insurance (Group) Company of China, Ltd	Ping An China made the following commitments when planning to subscribe for 1,638,336,654 non-public issued shares of SDB (this Material Asset Restructuring) with its holding of 90.75% of the Former PAB's shares and RMB2,690.0523 million in cash: 1. After the completion of this Material Asset Restructuring and during the period when Ping An China acts as SDB's controlling shareholder, in respect of similar businesses or business opportunities as SDB that are intended to be engaged by or substantially obtained by Ping An China and other companies controlled by Ping An China in the future, and that the assets and businesses formed by those businesses or business opportunities may cause peer competition with SDB, Ping An China and other companies controlled by Ping An China will not engage in businesses that are the same or similar to SDB, so as to avoid in direct or indirect competition in relation to SDB's business operations. 2. After the completion of this Material Asset Restructuring, with regard to the related party transactions between Ping An China and other companies controlled by Ping An China and SDB, Ping An China and other companies controlled by Ping An China will carry out the transactions with SDB under the principles of openness, fairness and justice of market transactions and in accordance with fair and reasonable market price, as well as implement decision-making procedures based on requirements of relevant laws, regulations and regulatory documents so as to fulfill its obligation of information disclosure according to the laws. Ping An China guarantees that Ping An China and other companies controlled by Ping An China would not acquire any illegal interests or make SDB assume any improper obligations through the transactions with SDB. 3. After the completion of this Material Asset Restructuring and during the period when Ping An China acts as SDB's controlling shareholder, SDB's independence will be maintained so as to ensure that SDB is independent to Ping An China and other companies controlled by Ping An China in terms of personnel, assets, finance, institutions and business.	July 29, 2011	–	Performance is being carried out now
Undertaking made on initial public offering or refinancing	Undertaking of share lockup	Ping An Insurance (Group) Company of China, Ltd.	In relation to the subscription for 1,323,384,991 new shares of the Bank through non-public issuance, Ping An China undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (January 9, 2014), excluding the transfer between Ping An China and its related organizations (i.e. any parties directly or indirectly controlling Ping An China or under the direct or indirect control of Ping An China or under the control of the same controller as that of Ping An China) to the extent permitted by the applicable laws. Upon expiry of the above-mentioned term, Ping An China will be free to dispose of such newly-issued shares pursuant to the requirements of the CSRC and Shenzhen Stock Exchange.	December31, 2013	Within three years	Performance is being carried out now
			In relation to the subscription for 210,206,652 new shares of the Bank through non-public issuance, Ping An China undertakes that it shall not transfer the shares within 36 months since the date of listing of the new shares (May 21, 2015). Such shares shall not be disposed of and transferred among its non-related parties during the lock-up period, nor transferred and disposed of among its related parties. In addition, no arrangement of any other disposal of interests shall be entered into with respect to such shares subject to a lock-up period.	May 21, 2015	Within three years	Performance is being carried out now
Other undertakings made to minority shareholders of the Company	-		-	-	-	-
Does the undertaking performed timely?	Yes					
The detailed reasons for not completing the commitments and the next steps (if any)	Not applicable					

2. The Company has made profit estimation to its assets or projects, and the reporting period is within the profit estimation period, and the Company will give explanation on whether its assets or projects reach its profit forecast.

□ Applicable √ Not applicable

IV. The misappropriation of funds by the controlling shareholder of the Bank or its related parties

None of the controlling shareholder of the Bank or its related parties misappropriated the Bank's funds during the reporting period.

V. Explanations and independent opinions of independent directors concerning fund utilization by related parties of the Bank and external guarantee offered by the Bank.

There was no fund appropriation of the Bank by controlling shareholder and other related parties during the reporting period or prior periods which persist during the reporting period.

Guarantee business is a regular banking business of the Bank approved by the competent regulatory institutions. The Bank attaches importance to risk management of this business. By strictly following relevant operational process and examination and approval procedures, risks in external guarantee business can be effectively controlled. During the reporting period, other than the financial guarantee business within the operation scope approved by the competent regulatory institutions, the Bank has no other discloseable material guarantees.

VI. The Board, the Board of Supervisors, Independent Directors' (if any) explanation on the qualified opinion issued by the accounting firm during the reporting period

□ Applicable √ Not applicable

VII. Changes in accounting policies, accounting estimates and accounting methods from the financial report for last year

☐ Applicable √ Not applicable

VIII. Explanation of retrospective restatement for adjustment of significant accounting errors occurred during the reporting period

☐ Applicable √ Not applicable

IX. Explanation of change in the scope of consolidated statement in comparison with the financial report of the previous year

☐ Applicable √ Not applicable

X. Engagement of intermediaries

1. Engagement of accounting firm for audit of annual financial report

Existing accounting firm

Name of domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of domestic accounting firm	RMB8.486 million
Continuous term of audit service of domestic accounting firm	Three years
Name of Certified Public Accountant of domestic accounting firm	Yao Wenping, Zhu Liping
Name of foreign accounting firm (if any)	Not applicable
Remuneration of foreign accounting firm (if any)	Not applicable
Continuous term of audit service of foreign accounting firm (if any)	Not applicable
Name of Certified Public Accountant of foreign accounting firm (if any)	Not applicable

Change of accounting firm for the current period

☐ Yes √ No

Change of accounting firm during the audit reporting period

☐ Yes √ No

2. Engagement of internal control audit accounting firm, financial advisor and sponsor

Name of internal control audit accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of internal control audit accounting firm	RMB1.58 million
Name of financial advisor	Not applicable
Remuneration of financial advisor	Not applicable
Name of sponsor	CITIC Securities Co., Ltd.
Remuneration of sponsor	RMB46 million (including sponsors and underwriting fees)

XI. Suspension in trading or delisting upon publication of annual report

☐ Applicable √ Not applicable

XII. The Bank did not have any bankruptcy and arrangement related event during the reporting period.

XIII. Material litigation and arbitration

The Bank was not involved in any material litigation or arbitration which had material impact on the operation of the Bank in 2015. As at the end of 2015, the Bank was named as a defendant in 177 outstanding lawsuits involving a total amount of RMB838 million.

XIV. Penalties and correction

During the reporting period, the Bank and its directors, supervisors, senior management, controlling shareholder and de facto controller had not been investigated by competent authorities, imposed enforcement measures by judicial authorities or disciplinary and prosecution authorities, proceeded to judicial authorities or held responsible for criminal responsibilities, investigated or placed under administrative measures, prohibited from trading, identified as inappropriate candidate by CSRC, penalized by other administrative authorities nor publicly denounced by the Stock Exchange.

XV. Integrity of the Company and its controlling shareholders

There was no failure to perform the effective court judgments or to repay a debt of large amount falling due by the Company and its controlling shareholder during the reporting period.

XVI. There was no implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Bank during the reporting period.

XVII. Material related party transactions

1. Please refer to "Notes to the Financial Statements VIII. Related party relationships and transactions" in "Chapter 16 Financial Statements" for the details of "Transactions between the Company and China Ping An and its subsidiaries", "Major transactions between the Company and the key management personnel" and "Major transactions between the Company and the entities relating to the key management personnel and the associates".

2. Implementation of Ping An Bank Co., Ltd.'s Proposal of Continuing Day-to-Day Related Party Transactions with Ping An Group

On May 22, 2014, the 2013 annual general meeting of the Bank deliberated and passed Ping An Bank Co., Ltd.'s Proposal of Continuing Day-to-Day Related Party Transactions with Ping An Group, which projects the caps for continuing day-to-day related party transactions with Ping An China and its holding subsidiaries (other than the Bank) (hereinafter collectively referred to as "Ping An China and its subsidiaries") from 2014 to 2016. It was agreed that the terms of transactions with Ping An China and its subsidiaries from 2014 to 2016 be compliant and reached after arm's length negotiations based on business nature, transaction amounts and term, market conditions, relevant national policies, applicable industry practices and analysis and examination on pricing policies, pricing basis and fairness thereof, and that the following transactions be carried out at prices within their caps and on terms no more favorable than similar ones with non-related parties. It was also agreed that, subject to the caps, the management of the Bank was authorized to review and approve various kinds of day-to-day related party transactions above based on the day-to-day business approval authorization, and handle other related matters in accordance with the above transaction principles of the Bank for continuing day-to-day related party transactions. The management of the Bank reports to the Board on progress of such transaction every year. Any adjustment required to the above caps is subject to approval at a Board meeting and an annual general meeting in accordance with regulatory requirements.

(1) At the end of 2015, the credit facilities type related party transactions of Ping An China and its subsidiaries approved by the Bank amounted to RMB13,790 million, and the balance of credit facilities was RMB1,943 million.

(2) At the end of 2015, between the Bank and Ping An China and its subsidiaries, the small consumption loan under insurance amounted to RMB3,960 million, trade finance under credit insurance amounted to RMB1,118 million, and letter of credit under the integrated finance business amounted to RMB18,000 million.

(3) At the end of 2015, transfer of assets or the right to return on assets with Ping An China and its subsidiaries amounted to nil.

(4) At the end of 2015, transfer of assets or the right to return on assets with Ping An China and its subsidiaries amounted to RMB30 million.

(5) At the end of 2015, an interest expense arising from introducing the agreed deposits with Ping An China and its subsidiaries amounted to RMB1,659 million.

(6) At the end of 2015, the transaction amount (including but not limited to incomes/expenses of interest, handling fee, management fee and advisory fee) arising from the investment in wealth management products (including but not limited directional asset management plan) with Ping An China and its subsidiaries amounted to RMB1,334 million.

(7) At the end of 2015, the transaction amount (including but not limited to incomes/expenses of interest, handling fee, management fee and advisory fee) arising from inter-bank assets and liabilities business with Ping An China and its subsidiaries amounted to RMB48 million.

(8) At the end of 2015, the transaction amount (including but not limited to incomes/expenses of interest, handling fee, management fee and advisory fee) arising from structured business with Ping An China and its subsidiaries amounted to nil.

XVII. Material related party transactions(Continued)

(9) At the end of 2015, the transaction amount (including but not limited to incomes/expenses of interest, handling fee, management fee and advisory fee) arising from financial derivative business with Ping An China and its subsidiaries amounted to RMB101 million.

(10) At the end of 2015, the transaction amount (including but not limited to incomes/expenses of investment advisory fee, performance compensation, handling fee and management fee) arising from non-standard equity asset business with Ping An China and its subsidiaries amounted to RMB3 million.

The above amounts recorded did not exceed relevant caps projected under Ping An Bank Co., Ltd.'s Proposal of Continuing Day-to-Day Related Party Transactions with Ping An Group passed at the 2013 annual general meeting.

3. Temporary on-line disclosure of Material Related Party Transaction

On June 30, 2015, the "Resolution of granting RMB6.5 billion interbank credit limit to Guosen Securities Co., Ltd." and the "Resolution of granting RMB2.5 billion interbank credit limit to China Trust Protection Fund Co., Ltd." were deliberated and approved at the 14th meeting of the 9th session of the Board of the Bank. Please refer to the relevant announcements such as "Ping An Bank Co., Ltd. Related Party Transaction Announcement" published by the Bank in China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily on July 1, 2015 and www.cninfo.com.cn for details.

XVIII. Materials contracts and performance

1. Material custodian, contracting and leasing: there were no material custodian, contracting and leasing business during the reporting period.

2. Material guarantee: except guarantees business approved by China Banking Regulatory Commission, the Bank had no other significant guarantees.

3. Other material contracts and their performance: the Bank had no material contract disputes during the reporting period.

XIX. Other Significant Events

1. On July 15, 2014, the resolutions including the "Resolution of Ping An Bank Co., Ltd. on Non-public Issuance of Ordinary Shares" were deliberated and approved at the 5th meeting of the 9th session of the Board of the Bank. On August 4, 2014, relevant resolutions including the "Resolution of Ping An Bank Co., Ltd. on Non-public Issuance of Ordinary Shares" were deliberated and approved at the 2nd extraordinary general meeting of the Bank for 2014. On April 24, 2015, the Bank received China Securities Regulatory Commission's written approval (Zhengjianxuke [2015] No. 697) "Approval on Ping An Bank Co., Ltd.'s Private Placements of Stock", which approves the Company to privately issue not exceeding 1,070,663,811 new shares.

As of May 6, 2015, Ping An Bank actually received capital remitted by the lead underwriter of issuance, CITIC Securities Company Limited, amounted to RMB9,999,999,996.50 (the net amount of funds raised was RMB9,939,999,996.50 after deducting issuance cost) raised by privately issuing 598,802,395 ordinary shares in total, at RMB16.70 per share, to qualified domestic investors. The Bank applied to Shenzhen Branch of China Securities Depository and Clearing Company Limited for register of the privately issued shares on May 13, 2015, and received the "Confirmation Letter on the Acceptance of Application on Share Registration" from the Registration Department of the company. On May 20, 2015, the Bank published "Ping An Bank Co., Ltd. Report on Non-public Issuance of A Shares and Announcement of Listing". The Non-Public Issuance increased 598,802,395 new shares, which were listed on Shenzhen Stock Exchange on May 21, 2015. Under the Non-Public Issuance, the shares subscribed by Ping An China shall be subject to a lock-up period of 36 months since the listing date of newly issued shares, and the shares may be listed on the circulation date, i.e. May 21, 2018. Other than Ping An China, the shares subscribed by the remaining issuing targets shall be subject to a lock-up period of 12 months since the listing date of newly issued shares, and the shares may be listed on the circulation date, i.e. May 21, 2016.

2. On July 15, 2014, the resolutions including the "Resolution of Ping An Bank Co., Ltd. on Non-public Issuance of Preferred Shares" were deliberated and approved at the 5th meeting of the 9th session of the Board of the Bank. On August 4, 2014, relevant resolutions including the "Resolution of Ping An Bank Co., Ltd. on Non-public Issuance of Preferred Shares" were deliberated and approved at the 2nd extraordinary general meeting of the Bank for 2014. On July 15, 2015, the Resolution of Ping An Bank Co., Ltd. on Extension of the validity period of the resolution regarding the Non-public Issuance of Preferred Shares was deliberated and approved at the 15th meeting of the 9th session of the Board of the Bank. On July 31, 2015, the "Resolution of Ping An Bank Co., Ltd. on Extension of the validity period of the resolution regarding the Non-public Issuance of Preferred Shares" was deliberated and approved at the 1st extraordinary general meeting of the Bank for 2015. On September 1, 2015, the Bank received the "Official Reply from China Banking Regulatory Commission on Ping An Bank Non-public Issuance of Preferred Shares and Amendments to the Articles of Association" (Yinjianfu [2015] No.539) of which China Banking Regulatory Commission approved the Bank to privately issue preferred stocks not exceeding 200 million shares for raising capital of not exceeding RMB20 billion, and will be credited to other tier one capital of the Company in accordance with relevant regulations. Meanwhile, China Banking Regulatory Commission approved the "Constitution of Ping An Bank Co., Ltd." amended by the Company. On February 26, 2016, the Bank received China Securities Regulatory Commission's official reply (Zhengjianxuke [2016] No. 341) "the Approval on Ping An Bank Co., Ltd.'s Private Placements of Preferred Stock", which approved the Bank to privately issue preferred stocks not exceeding 200 million shares.

As at 9 March 2016, the above preferred stocks had been issued and the relevant issuance had been reported to CSRC for filing; share registration shall be conducted and issuance report shall be disclosed subsequently. A total of 0.2 billion preferred stocks were issued to 12 qualified investors this time, with a nominal price of RMB100 per share and nominal dividend rate of 4.37%; the net amount of funds actually raised was RMB19.9525 billion after deducting issuance cost and was applied to supplement tier one capital. The Bank will disclose the details of the above issuance of preferred stocks in the Issuance Report.

Significant Events

XX. Significant Events of the subsidiaries of the Company

□ Applicable √ Not applicable

XXI. Corporate social responsibility report

Please refer to the "Social Responsibility Report of Ping An Bank Co., Ltd. for 2015" dated March 10, 2016 published by the Bank on www.cninfo.com.cn for details.

Do the listed company and its subsidiaries fall into the badly polluted industry defined by the environmental protection authority of the state

□ Yes √No □ Not applicable

Whether the Company publishes social responsibility report

√ Yes □ No

Social Responsibility Report					
Nature of the Company	whether includes information on environment	whether includes information on society	whether includes information on corporate governance	Report disclosure standards	
				Domestic standards	Foreign standards
Private Enterprise	Yes	Yes	Yes	Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies Opinions of the General Office of China Banking Regulatory Commission on Strengthening the Social Responsibility of Banking Financial Institutions issued by China Banking Regulatory Commission the Guidelines on the Corporate Social Responsibility of Banking Institutions of China issued by China Banking Association	GRI4.1

Detailed description

1. Whether the Company received environmental management system certification (ISO14001)	Not applicable
2. The annual expense of the Company in respect of environment protection (RMB ten thousand)	Not applicable
3. The Company's emissions performance of "waste gas, waste water and waste residue"	Not applicable
4. The Company's expense on personal knowledge and skill improvement of the employee to enhance their professional development capability	RMB131.17 million
5. The Company's social charity donations (money, material and no-paid professional service)	RMB10.35 million

XXII. CORPORATE BONDS

Whether the Company has publicly issued corporate bonds that are listed on stock exchanges, undue as at the date approving the issue of the annual report or falling due but not fully repaid.

☐ Yes √ No

Changes in Shares and Shareholders

I. Changes in shares

1. Table of changes in shares

Unit: Shares

	Before change		Changes (+,-)					After change	
Share type	Number of shares	Percentage (%)	New issuance	share distribution	From contributed capital surplus	Other	Sub-total	Number of shares	Percentage (%)
I. Restricted Shares	1,588,182,637	13.90	598,802,395	-	317,636,528	-	916,438,923	2,504,621,560	17.50
1. Held by the state	-	-	-	-	-	-	-	-	-
2. Held by the state legal person	-	-	-	-	-	-		-	-
3. Held by other domestic investors	1,588,182,637	13.90	598,802,395	-	317,636,528	-	916,438,923	2,504,621,560	17.50
Including:Held by domestic legal persons	1,588,170,423	13.90	598,802,395	-	317,634,085	-	916,436,480	2,504,606,903	17.50
Held by domestic natural persons	12,214	About 0.00	-	-	2,443	-	2,443	14,657	about 0.00
4. Held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Held by foreign legal persons	-	-	-	-	-	-	-	-	-
Held by foreign natural persons	-	-	-	-	-	-	-	-	-
II. Unrestricted shares	9,836,712,150	86.10	-	-	1,967,342,429	-	1,967,342,429	11,804,054,579	82.50
1. Ordinary RMB shares	9,836,712,150	86.10	-	-	1,967,342,429	-	1,967,342,429	11,804,054,579	82.50
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	11,424,894,787	100	598,802,395	-	2,284,978,957	-	2,883,781,352	14,308,676,139	100

Reasons for changes in shares

√Applicable □ Not applicable

The Bank adopted the 2014 profit distribution proposal during the reporting period, and non-publicly issued shares to qualified domestic investors, resulting in an increase in the total number of shares of the Bank correspondingly.

Approval of the changes in shares

√Applicable □ Not applicable

On April 2, 2015, the 2014 annual general meeting of the Bank deliberated and approved the 2014 Profit Distribution Proposal of Ping An Bank Company Limited.

On August 4, 2014, the 2014 Second Extraordinary General Meeting of the Bank deliberated and approved the resolutions including the Resolution of Ping An Bank Co., Ltd. on Non-public Issuance of Ordinary Shares. On April 24, 2015, the Bank received China Securities Regulatory Commission's written approval (Zhengjianxuke [2015] No. 697) Approval on Ping An Bank Co., Ltd. 'S Private Placements of Stock, which approved the Company to privately issue not exceeding 1,070,663,811 new shares.

Transfer of shares in the changes

√Applicable □ Not applicable

The Bank published the Announcement of Implementation of 2014 Equity Distribution of Ping An Bank Company Limited on April 7, 2015. The date of equity record of the profit distribution was April 10, 2015, while the date of ex-rights was April 13, 2015. The implementation of the 2014 profit distribution proposal of the Bank was completed during the reporting period.

The Bank applied to Shenzhen Branch of China Securities Depository and Clearing Company Limited for register of the privately issued shares on May 13, 2015, and received the Confirmation Letter on the Acceptance of Application on Share Registration from the Registration Department of the company.

Effect of changes in shares on financial indicators, such as basic earnings per share and diluted earnings per share for the latest year and latest period and net assets per share attributable to ordinary shareholders of the Company

√Applicable □ Not applicable

Upon the implementation of the 2014 profit distribution proposal of the Bank, the effect on financial indicators, such as basic earnings per share and diluted earnings per share for the latest year and latest period and net assets per share attributable to ordinary shareholders of the Company, is set out as follows:

1. Basic and diluted earnings of the Bank for 2014 were RMB1.44 and RMB1.44, respectively. The net assets per share as at the end of 2014 was RMB9.55;

2. Basic and diluted earnings of the Bank for 2013 were RMB1.29 and RMB1.29, respectively. The net asset value per share as at the end of 2013 was RMB8.18.

Other information deemed necessary by the Company or required to be disclosed by securities regulatory institution

□ Applicable √ Not applicable

I. Changes in shares (Continued)

2. Table of changes in restricted shares

Unit: Shares

Name of shareholder	Restricted shares at the beginning of year	Restricted shares released during the year	Restricted shares increased during the year	Restricted shares at the end of year	Reason for restriction	Date of release
Ping An Insurance (Group) Company of China, Ltd. - the Group - Proprietary fund	1,588,061,989	0	527,819,050	2,115,881,039	Non-public offering	January 9, 2017:1,905,674,387 shares;May 21, 2018: 210,206,652 shares.
E Fund Asset - SPD Bank - E Fund Asset - SPD Bank - Jiyuan Investment Private Placement No.1 Asset Management Plan	0	0	71,855,029	71,855,029	Non-public offering	May 21, 2016
Huafu Fund-SPD Bank-Huafu Fund- SPD Bank-Jiyuan Investment Private Placement No.2 Asset Management Plan	0	0	71,855,029	71,855,029	Non-public offering	May 21, 2016
Galaxy Capital-Bohai Bank- Galaxy Capital-Galaxy No.2 Asset Management Plan	0	0	47,943,113	47,943,113	Non-public offering	May 21, 2016
BOSC Asset - Bank of Shanghai - Huifu No. 9 Asset Management Plan	0	0	43,639,116	43,639,116	Non-public offering	May 21, 2016
Manulife Teda Fund - Minsheng Bank - Manulife Teda Fund Value Growth Oriented Additional No.193 Asset Management Plan	0	0	34,157,432	34,157,432	Non-public offering	May 21, 2016
Caitong Fund - Everbright Bank - Renxin No.1 Asset Management Plan	0	0	16,277,245	16,277,245	Non-public offering	May 21, 2016
Caitong Fund - Minsheng Bank - Tianze Jinniu No.18 Asset Management Plan	0	0	14,363,473	14,363,473	Non-public offering	May 21, 2016
Manulife Teda Fund - Minsheng Bank - Manulife Teda Fund Value Growth Oriented Additional No.195 Asset Management Plan	0	0	10,984,700	10,984,700	Non-public offering	May 21, 2016
BOSC Asset - Bank of Shanghai - Huifu Deyihaijie No. 19 Asset Management Plan	0	0	10,356,148	10,356,148	Non-public offering	May 21, 2016
Others	120,648	0	67,188,588	67,309,236	Non-public offering, Restricted shares from share reform and from superior managers	-
Total	1,588,182,637	0	916,438,923	2,504,621,560	-	-

Notes: Among the other restricted shares, restricted shares from share reform are 130,121 shares in total, respectively held by Shenzhen SDG Communications Development Company, Shenzhen Tourism Association and Shenzhen Futian District Agriculture Development Service Company Yannan Agriculture Machine Trading. The restrictions on those shares expired on 20 June 2008, but relevant shareholders have not entrusted any company to apply for handling restricted share release formalities.

II. Securities issuance and listing

1. During the reporting period, issuance of securities (excluding preference shares)

Name of securities and its derivatives	Date of issuance	Issue price (or interest rate)	Size	Date of listing	Approved trading volume	End date
Non-public	May 6, 2015	16.70	598,802,395	May 21, 2015	598,802,395	-

Upon deliberation and approval at the 5th meeting of the 9th session of the Board of the Bank and the 2nd Extraordinary Shareholders Meeting in 2014 and with the approval of relevant regulatory authorities, the Bank issued 598,802,395 shares to qualified domestic investors (including Ping An China) via non-public offering during 2015 at the issuance price of RMB16.70 per share, the total proceeds of RMB9,999,999,996.50, after netting the related issuance expenses, will be applied to supplement the capital. The shares in this non-public offering were listed on May 21, 2015. Under the Non-Public Issuance, the shares subscribed by Ping An China shall be subject to a lock-up period of 36 months since the listing date of newly issued shares, and the shares may be listed on the circulation date, i.e. May 21, 2018. Other than Ping An China, the shares subscribed by the remaining issue targets shall be subject to a lock-up period of 12 months since the listing date of newly issued shares, and the shares may be listed on the circulation date, i.e. May 21, 2016.

2. Changes in the total number of share and the structure of shareholders of the Company, the assets and liabilities structure of the Company

√Applicable □ Not applicable

Upon the implementation of the 2014 profit distribution proposal of the Bank and completing non-public issue of shares to qualified domestic investors, the total number of shares of the Bank increased from 11,424,894,787 shares to 14,308,676,139 shares. Please refer to the "Table of changes in shares" for the shareholders structure of the Bank.

At the end of 2015, the shareholders' equity of the Bank amounted to RMB161.5 billion, representing an increase of RMB30.551 billion or 23.33% as compared to the beginning of the year.

3. The Bank has no employee shares

III. Descriptions of shareholders

1. Number of shareholders and their shareholding status

Unit: Shares

Total number of ordinary shareholders at the end of reporting period	332,918
Total number of preference shareholders with voting rights restoration at the end of reporting period	-
Total number of shareholders by the end of the month prior to the publication of the annual report	347,147

Shareholding of top 10 shareholders

Name of shareholder	Capacity	Total number of shares held	Shareholding	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	Domestic legal entity	7,092,077,555	49.56	1,357,185,136	2,115,881,039	4,976,196,516	-	-
Ping An Life Insurance Company of China, Ltd.- proprietary fund	Domestic legal entity	874,552,320	6.11	145,758,720	0	874,552,320	-	-
China Securities Finance Corporation Limited	Domestic legal entity	427,832,759	2.99	427,832,759	0	427,832,759	-	-
Ping An Life Insurance Company of China, Ltd. - tradition - ordinary insurance products	Domestic legal entity	324,779,969	2.27	54,129,995	0	324,779,969	-	-
Ge Weidong	Domestic natural person	186,661,000	1.30	-87,578,761	0	186,661,000	Pledged	105,696,000
Central Huijin Asset Management Ltd.	Domestic legal entity	180,177,500	1.26	180,177,500	0	180,177,500	-	-
China Electronics Shenzhen Company	Domestic legal entity	164,459,948	1.15	21,159,991	0	164,459,948	-	-
Huafu Fund - SPD Bank - Huafu Fund - SPD Bank - Jiyuan Investment Private Placement No.2 Asset Management Plan	Domestic legal entity	71,855,029	0.50	71,855,029	71,855,029	0	-	-
E Fund Asset - SPD Bank - E Fund Asset - SPD Bank - Jiyuan Investment Private Placement No.1 Asset Management Plan	Domestic legal entity	71,855,029	0.50	71,855,029	71,855,029	0	-	-
National Social Security Fund 102 Portfolio	Domestic legal entity	58,005,459	0.41	56,791,185	0	58,005,459	-	-
Strategic investor or general legal entity that become top 10 shareholders by placing of new shares(if any)	Huafu Fund - SPD Bank - Huafu Fund - SPD Bank - Jiyuan Investment Private Placement No.2 Asset Management Plan - SPD Bank - E Fund Asset - SPD Bank - Jiyuan Investment Private Placement No.1 Asset Management Plan become the top 10 shareholders of the Company due to the non-publicly issued shares of the Company. The lock-up period of the shares was May 21, 2015 - May 21, 2016.							
Description of the related relationship and concerted action of the above shareholders	1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related parties. 2. The Bank is not aware of any related relationship or concerted action between any of other shareholders.							

Unit: Shares

Shareholding of top 10 shareholders without restriction conditions

Name of shareholder	Number of unrestricted shares held	Type of shares	
		Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	4,976,196,516	RMB ordinary shares	4,976,196,516
Ping An Life Insurance Company of China, Ltd.- proprietary fund	874,552,320	RMB ordinary shares	874,552,320
China Securities Finance Corporation Limited	427,832,759	RMB ordinary shares	427,832,759
Ping An Life Insurance Company of China, Ltd. - tradition - ordinary insurance products	324,779,969	RMB ordinary shares	324,779,969
Ge Weidong	186,661,000	RMB ordinary shares	186,661,000
Central Huijin Asset Management Ltd.	180,177,500	RMB ordinary shares	180,177,500
China Electronics Shenzhen Company	164,459,948	RMB ordinary shares	164,459,948
National Social Security Fund 102 Portfolio	58,005,459	RMB ordinary shares	58,005,459
ICBC Credit Suisse Asset - Agricultural Bank - ICBC Credit Suisse China Securities and Financial Assets Management Plan	48,553,700	RMB ordinary shares	48,553,700
Southern Fund - Agricultural Bank - Southern China Securities and Financial Assets Management Plan	48,553,700	RMB ordinary shares	48,553,700
Description of the related relationship and concerted action among the top 10 shareholders without restriction conditions and among the top 10 shareholders without restriction conditions and top 10 shareholders	1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary of and acting in concert with Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related parties. 2. The Bank is not aware of any related relationship or concerted action between any of other shareholders.		
Description of the shareholders who engage in securities margin trading business	Ge Weidong, a shareholder of the Bank, is holding157,701,000 shares via common stock account and 28,960,000 shares via client account of collateral securities for margin trading in Orient Securities Company Limited, effectively holding 186,661,000 shares in total.		

Have the top 10 shareholders and the top 10 shareholders without restriction conditions entered into agreed repurchase transaction during the reporting period ,

□ Yes √ No

III. Descriptions of shareholders(Continued)

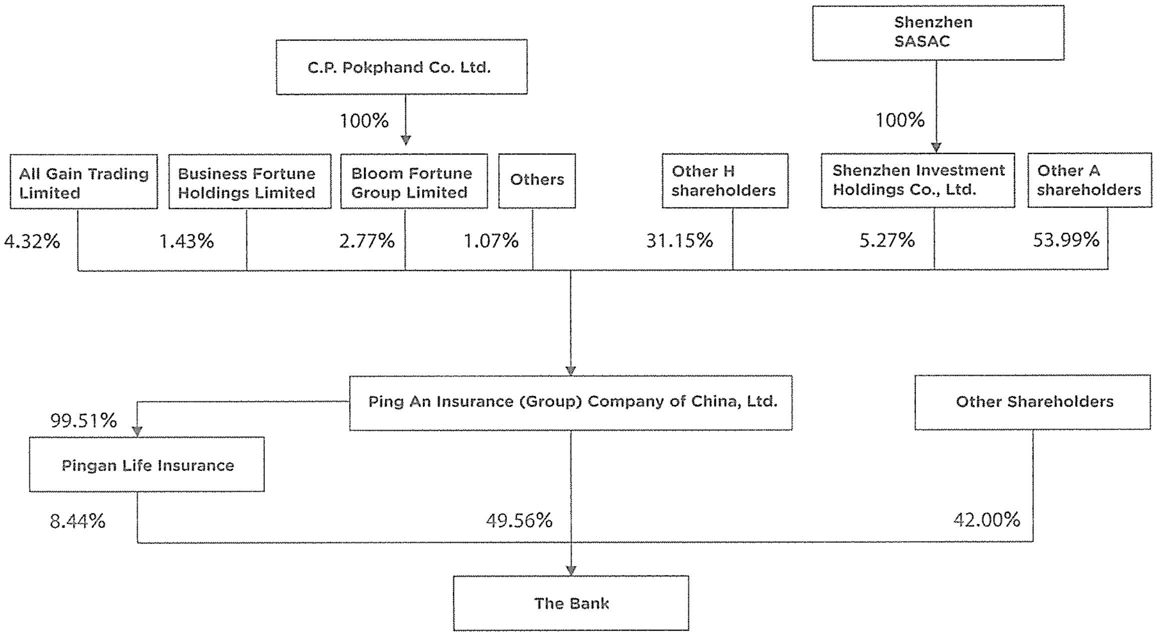
2. Controlling shareholder

Unit: Shares

Name of controlling shareholder	Legal representative	Date of establishment	Organizational Code	Principal business
Ping An Insurance (Group) Company of China, Ltd.	Ma Mingzhe	March 21, 1988	10001231-6	Investment in insurance enterprises; supervision and management of various domestic and oversea businesses of the controlled entities, carrying out insurance fund application business, and domestic and international insurance business as approved as well as other businesses as approved by China Insurance Regulatory Commission and the related state authorities.
Controlling shareholder's shareholdings in other domestic and overseas listed companies, in which it is the controlling shareholder or a shareholder during the period	Ping An Insurance (Group) Company of China, Ltd., the controlling shareholder of the Bank, is listed on both of the main board of Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. As of the reporting date, Ping An China's 2015 annual report is yet to be disclosed. Please refer to the section "Ping An Insurance (Group) Company of China, Ltd. - 2015 annual report" for related information.			

3. Change of the controlling shareholder of the Bank during the reporting period

There was no change in the controlling shareholder of the Bank during the reporting period. The relationship between the Bank and the controlling shareholder is set out below:



4. Actual controller

The Bank does not have any de facto controller.

5. Other corporate shareholder with over 10% of shareholdings

Nil.

IV. Restrictions on Decrease in Shareholding by Controlling Shareholders, De Facto Controller, Reorganizing Parties and Other Undertaking Parties

□ Applicable √ Not applicable

Information on Preference Shares

□ Applicable √Non-applicable

The Company does not have any preference shares during the reporting period.

Information on Directors, Supervisors, Senior Management and Staff

I. Brief Information on Directors, Supervisors and Senior Management

Name	Position	Status	Gender	Age	Office Tenure	Shares held at the beginning of the year (Shares)	Shareholding increase for the year (Shares)	Shareholding decrease for the year (Shares)	Shares held at year end (Shares)
Sun Jianyi	Chairman	Current	M	62	2012.10-Re-election				
Shao Ping	Director and President	Current	M	58	Director:2012.10-Re-election President:2012.11-				
Yao Bo	Director	Current	M	44	2010.6-Re-election				
Ip So Lan	Director	Current	F	59	2010.6-Re-election				
Cai Fangfang	Director	Current	F	41	2014.1-Re-election				
Chen Xinying	Director	Current	F	38	2014.1-Re-election				
Li Jinghe	Director	Current	M	60	2007.12-Re-election				
Hu Yuefei	Director and Vice President	Current	M	53	Director:2007.12-Re-election Vice President:2006.5-	2,849	571		3,420
Zhao Jichen	Director and Vice President	Current	M	52	Director:2014.1-Re-election Vice President:2013.1-				
Chu Yiyun	Independent Director	Current	M	51	2010.12-Re-election				
Wang Chunhan	Independent Director	Current	M	64	2014.1-Re-election				
Wang Songqi	Independent Director	Current	M	63	2014.1-Re-election				
Han Xiaojing	Independent Director	Current	M	60	2014.1-Re-election				
Qiu Wei	Employee Representative Supervisor and Chairman of the Board of Supervisors	Current	M	53	2010.6-Re-election				
Che Guobao	Shareholder Representative Supervisor	Current	M	66	2010.12-Re-election				
Zhou Jianguo	External Supervisor	Current	M	60	2014.1-Re-election				
Luo Xiangdong	External Supervisor	Current	M	62	2014.1-Re-election				
Wang Cong	External Supervisor	Current	M	57	2014.1-Re-election				

Name	Position	Status	Gender	Age	Office Tenure	Shares held at the beginning of the year (Shares)	Shareholding increase for the year (Shares)	Shareholding decrease for the year (Shares)	Shares held at year end (Shares)
Wang Lan	Employee Supervisor	Current	F	45	2010.12-Re-election	413	83		496
Cao Lixin	Employee Supervisor	Current	M	47	2010.12-Re-election				
Amy Choi	Vice President	Current	F	57	2013.3-				
Feng Jie	Vice President	Current	M	58	2010.12-				
Wu Peng	Vice President	Current	M	50	2011.8-	1,663	332		1,995
Chen Rong	Vice President	Current	F	47	2014.3-	15,789	3,157		18,946
Zhou Qiang	Secretary to the Board	Current	M	43	2014.6-				
Ma Lin	Independent Director	Former	M	62	2011.5-Next By-election (Note)				
Ye Wangchun	Vice President	Former	M	60	2012.7-2015.7				
Sun Xianlang	Vice President and Chief Financial Officer	Former	M	54	Vice President:2013.1-2016.1 Chief Financial Officer:2014.3-2016.1				
Total			-	-	-	20,714	4,143		24,857

Note: On August 22, 2015, Mr. Ma Lin resigned his position as an independent director of the 9th session of the Board of the Company. Pursuant to the relevant regulatory requirements, the resignation of Mr. Ma Lin will become effective upon the by-election of the next independent director.

II. Changes in Directors, Supervisors and Senior Management

Name	Position	Type of change	Date	Reason
Ye Wangchun	Vice President	Retirement	July 11, 2015	Resigned as the vice president of the Company as he reached age of retirement.
Ma Lin	Independent Director	Retirement	August 22, 2015	Resigned as the independent director of the 9th session of the Board of the Company pursuant to the relevant requirements. Pursuant to the relevant regulatory requirements, the resignation of Mr. Ma Lin will become effective upon the by-election of the next independent director.
Sun Xianlang	Vice President and Chief Financial Officer	Retirement	January 6, 2016	Resigned as the vice president and chief financial officer of the Company due to personal reason.

Information on Directors, Supervisors, Senior Management and Staff

III. Positions

1. Professional backgrounds, major work experience and recent duties in the Company of the incumbent directors, supervisors and senior management.

Mr. Sun Jianyi, Chairman of the Board and member of each of Strategic and Development Committee and Nomination Committee of the Board.

Born in 1953, he holds a college degree and is a senior economist. He has being serving as a director and the Chairman of Ping An Bank since October 2012 and November 2012 respectively.

Mr. Sun Jianyi joined Ping An China in July 1990 and had worked as the general manager of the headquarters, deputy general manager, executive deputy general manager and vice CEO of Ping An China successively. He has been appointed as executive deputy general manager since October 1994. Since March 1995, he has been elected as an executive director of Ping An China. Since October 2008, he has been elected as the vice Chairman of Ping An China's Board of Directors. He was also the Chairman of PA Trust from October 1999 to September 2004. From January 2008 to June 2012, he was also the Chairman of former PAB.

Before joining Ping An China, Mr. Sun Jianyi worked at PBOC Wuhan Branch from 1971 to 1984 as the deputy head of Credit Section and head of Representative Office. From 1984 to 1990, he worked at the People's Insurance Company of China as the deputy general manager of Wuhan Branch and the general manager of Wuhan Securities Company.

Mr. Sun Jianyi is also a non-executive director of Shenzhen Wanke Co., Ltd. and China Insurance Protection Fund Co., Ltd, as well as an independent director of Haichang Holdings Ltd.

Mr. Shao Ping, Director, President, Chairman of Strategic and Development Committee and member of each of Risk Management Committee and Nomination Committee of the Board.

Born in 1957, he holds a doctorate degree in Economics from the Fudan University and is a senior economist.

Mr. Shao participated in the establishment of the China Minsheng Banking Corporation Limited in 1995. From 1996 to 2012, he acted as the deputy director of the Credit Department in the headquarters, the deputy general manager (in-charge) and general manager of Credit Business Department in the headquarters, the CPC committee secretary and branch president of Shanghai branch, a CPC committee member and an assistant to president of the headquarters, a CPC committee member and the vice president of headquarters and the Chairman of risk management committee of headquarters. He has been a director and the president of Ping An Bank since October 2012 and November 2012 respectively. In addition, he has also been appointed as an executive director on the Executive Board for Asia Pacific Region of the Wharton School of Business in the United States since 2006.

Before joining the China Minsheng Banking Corporation Limited, Mr. Shao had served as the CPC committee secretary and general manager of Urban Credit Cooperative in Weicheng District of Weifang City in Shandong Province, vice CPC committee secretary and deputy general manager of Weifang Credit Cooperative.

Mr. Yao Bo, Director and member of each of Strategic and Development Committee, Audit Committee and Risk Management Committee of the Board.

Born in 1971, he is a fellow of the Society of Actuaries (FSA) and obtained a MBA degree from the New York University of the United States. He has been serving as an executive director of Ping An China from June 2009 to present. He has been serving as the chief financial officer and deputy general manager of Ping An China from April 2010 and June 2009 to present respectively. He has been serving as the chief actuary of Ping An China from October 2012 to present. He has also been serving as the executive deputy general manager of Ping An China from January 2016 to present. He has been serving as a director of Ping An Bank (former SDB) from June 2010 to present.

Mr. Yao Bo joined Ping An China in May 2001. He served as the deputy general manager of Ping An China from June 2009 to January 2016. He served as the head of Ping An China's financial function from March 2008 to April 2010, the chief actuary of Ping An China from January 2007 to June 2010, the vice chief financial officer of Ping An China from February 2004 to January 2007, the general manager of the planning and analysis department of Ping An China from February 2004 to February 2012, the vice chief actuary of Ping An China from December 2002 to January 2007 and the deputy general manager of product center of Ping An China from 2001 to 2002.

Mr. Yao Bo was previously a senior actuarial consulting manager of Deloitte Touche Tohmatsu.

Ms. Ip So Lan, Director and Chairman of Risk Management Committee of the Board.

Born in 1956, she holds a bachelor's degree in Computer of Polytechnic of Central London of the United Kingdom. She has been serving as the deputy general manager of Ping An China from January 2011 to present, and chief audit officer, responsible person of audit and compliance officer of Ping An Group from March 2006 to present, March 2008 to present and July 2010 to present respectively. He has been serving as a director of Ping An Bank (former SDB) since June 2010.

Ms. Ip So Lan joined Ping An China in February 2004. She served as an assistant to general manager of Ping An Life from February 2004 to March 2006, and an assistant to general manager of Ping An China from March 2006 to January 2011.

Ms. Ip previously worked in AIA and Prudential Assurance Company of Hong Kong.

Information on Directors, Supervisors, Senior Management and Staff

III. Positions(Continued)

1. **Professional backgrounds, major work experience and recent duties in the Company of the incumbent directors, supervisors and senior management.(Continued)**

Ms. Cai Fangfang, Director and member of each of Strategic and Development Committee and Remuneration and Appraisal Committee of the Board.

Born in 1974, she obtained a master's degree in accounting from the University of New South Wales in Australia. She has being serving as the executive director of Ping An China since July 2014. She has been serving as the chief human resources officer of Ping An China since March 2015. She has being serving as the director of Ping An Bank since January 2014.

Ms. Cai joined Ping An China in July 2007. From October 2009 to February 2012, she served as the deputy general manager and general manager of remuneration planning management department in the human resources center of Ping An China, respectively. From February 2012 to September 2013, Ms. Cai served as the vice chief financial officer and general manager of planning department of Ping An China. From September 2013 to March 2015, Ms. Cai also served as the vice chief human resources officer of Ping An China.

Before joining Ping An China, Ms. Cai served as the Director of consultancy of Watson Wyatt Shanghai Inc. and the audit director for financial industry of Standard Life in the UK.

Ms. Chen Xinying, Director and member of Strategic and Development Committee of the Board.

Born in 1977 and of Singaporean nationality, she graduated from the Massachusetts Institute of Technology with a master's degree in electrical engineering and computer science and a bachelor degree in electrical engineering and economics. She has been serving as the chief IT officer of Ping An Insurance (Group) Company of China, Ltd. and the Chairman of board of directors and CEO of Ping An Technology (Shenzhen) Co., Ltd. since January 2013. She has been serving as the chief operation officer of Ping An China since December 2013. She has been serving as the executive deputy general manager of Ping An China since January 2016. She has being serving as the director of Ping An Bank since January 2014.

Before joining Ping An China, Ms. Jessica Tan had been a partner of the McKinsey & Company (Global Director) specializing in financial services. During her tenure of 12 years with the McKinsey & Company, she had cooperated with leading financial services institutions in the USA and 10 countries in Asia, primarily focused on the areas of strategies, organization, and operation and information technology.

Mr. Li Jinghe, Director and member of Strategic and Development Committee of the Board.

Born in 1955, he holds a Bachelor's Degree in Engineering of Electronics Materials of Chengdu Institute of Telecommunication, and a postgraduate in Corporate Administration from Chinese Academy of Social Science. He has been concurrently serving as a director of Ping An Bank (former SDB) since December 2007.

He served as salesman of China National Electronics Import & Export South China Branch, deputy director of Zhuhai Office of China National Electronics Import & Export South China Branch, and deputy general manager and general manager of China National Electronics Import & Export Zhuhai Company successively from January 1982 to January 2000. From February 2000 to July 2011, he served successively as a director, vice chairman, general manager, deputy secretary and secretary of CPC Committee of China Electronics Shenzhen Company. He has been serving as the vice Chairman and deputy secretary of CPC Committee of China Electronics Shenzhen Company from July 2011 to October 2015, and has been serving as an independent director of Shenzhen Huaqiang Industrial Co., Ltd. from June 2006 to July 2012. He served as a Director and Deputy General Manager of China Electronic Engineering Co., Ltd. from October 2010 to July 2013.

Mr. Li Jinghe concurrently serves as a member of CPPCC Shenzhen Committee, Chairman of Shenzhen Chamber of Commerce for Import and Export, vice Chairman of Guangdong Enterprise Confederation and Guangdong Entrepreneur Association, honorary Chairman of Shenzhen Institute of Electronics and honorary chairman of Shenzhen Electronic Information Industry Association.

Mr. Hu Yuefei, Director, Vice President and member of Risk Management Committee of the Board.

Born in 1962, he holds a master's degree.

From December 1979 to July 1983, Mr. Hu Yuefei worked in the People's Bank of China Hunan Dongan County Office. From August 1983 to July 1986, he studied at Hunan Finance Cadre Management Institute. From August 1986 to December 1989, he worked in Industrial and Commercial Bank of China Hunan Branch and served as deputy section chief of Human Resource Department. From January 1990 to February 1999, he worked as chief of Propaganda Unit of Party Affair Office, branch vice president and branch president of Shenzhen Development Bank. From February 1999 to March 2000, Mr. Hu worked in Guangzhou Branch as branch president. From March 2000 to March 2005, he worked as assistant to president of Shenzhen Development Bank and branch president of Guangzhou Branch. From March 2005 to May 2006, he worked as assistant to president of Shenzhen Development Bank. He has been serving as vice president of Ping An Bank (former SDB) from May 2006 to present. From December 2007 to present, he has been concurrently serving as a director of Ping An Bank (former SDB). He is now in charge of the operation and management of the corporate affairs and industry business unit of Ping An Bank.

Information on Directors, Supervisors, Senior Management and Staff

III. Positions(Continued)

1. Professional backgrounds, major work experience and recent duties in the Company of the incumbent directors, supervisors and senior management.(Continued)

Mr. Zhao Jichen, Director, Vice President and member of each of Risk Management Committee and Related Party Transaction Monitoring Committee of the Board.

Born in 1963, he holds a doctorate's degree in Global Financial Business Administration of Shanghai Advanced Institute of Finance and is a senior economist.

He served as a clerk of People's Bank of China Zaozhuang Branch from September 1982 to January 1984; he successively served as a clerk, Branch President (CPC committee Secretary), director of the credit department, CPC committee member and executive vice president of Industrial and Commercial Bank of China Zaozhuang Branch from February 1984 to July 1998; he served as a CPC committee member and executive vice president of Industrial and Commercial Bank of China Laiwu Branch from August 1998 to the end of February 2002. He served as the general manager of Risk Management Department of China Minsheng Bank Shanghai Branch from March 2002 to February 2004, served as a CPC committee member and executive vice president of Hangzhou branch from March 2004 to October 2007, and served as an executive vice president and chief risk officer of SME Finance Division of Minsheng Bank from November 2007 to November 2008. He served as the general manager of Risk Management Section of China Minsheng Bank from November 2008 to October 2012. He has being serving as a vice president and a director of Ping An Bank since January 2013 and January 2014, respectively. He is now in charge of the operation and management of the risk management and small enterprise finance business unit of Ping An Bank.

Mr. Chu Yiyun, Independent Director, Chairman of Audit Committee and member of Remuneration and Appraisal Committee of the Board.

Born in 1964, he holds a doctorate degree in Accounting. He is now an accounting professor and doctoral supervisor in Shanghai University of Finance and Economics. He has been serving as an independent director of Ping An Bank (former SDB) from December 2010 to present.

Mr. Chu Yiyun graduated from Shanghai University of Finance and Economics. He is now working as an accounting professor and doctoral supervisor in Shanghai University of Finance and Economics, consulting expert in Accounting Standards of China Accounting Standards Committee under Ministry of Finance, member of Senior Professional Qualification Evaluation Committee for Accounting (Auditing) Series of Police Servicemen Institution under Ministry of Public Security, executive secretary general of Accounting Education Association of China Accounting Society, council member of the eight session of the council of Accounting Society of China, full-time research associate of Accounting and Finance Research Institute of Shanghai University of Finance and Economics under the Research Base for Humanities and Social Sciences of the Ministry of Education. Mr. Chu concurrently served as an independent director of China Jushi Co., Ltd., Shanghai Jinfeng Wine Co., Ltd., Tellhow Sci-tech Co., Ltd. and Zhejiang Qinglian Food Co., Ltd.

Mr. Wang Chunhan, Independent Director, Chairman of Related Party Transaction Monitoring Committee and member of each of Audit Committee and Nomination Committee of the Board.

Born in 1951, he is tertiary educated and is a senior economist. He has been serving as an independent director of Ping An Bank from January 2014 to present.

From May 1975 to November 1997, Mr. Wang served in various positions in the Wuhan city branch of the People's Bank of China, including as an accounting officer, a cadre of the CPC committee branch, the deputy secretary of the CPC committee branch in the Xiwei Road office, the deputy secretary (in-charge) and secretary of CPC committee branch of Chezhan Road office, and party cadre in charge of branch offices, deputy director (in-charge) then director of in charge of branch political office, and vice president of the branch, during such period, he studied in the Jianghan University from September 1983 to July 1985 and also served as a member and the director of the preparation office in the executive committee of the urban cooperative banks under the Wuhan municipal government from October 1994 to December 1997. During December 1997 to December 2000, he worked in the Wuhan Commercial Bank as an executive deputy chairman, CPC committee secretary and President. From December 2000 to December 2006, he worked in the Wuhan Commercial Bank as a chairman, CPC committee secretary and President. From December 2006 to July 2009 (during such period, the Wuhan Commercial Bank changed its name to Hankou Bank in June 2008), he served as the Chairman of the Board of the Hankou Bank and the CPC committee secretary. He acts as a counselor for the Wuhan municipal people's government since July 2009. He acts as an Independent Director of the Bank of Tibet since December 2011.

Mr. Wang Songqi, Independent Director and member of each of Risk Management Committee and Strategic and Development Committee of the Board.

Born in 1952, he holds a doctorate degree in economics. He is currently a researcher of the Institute of Finance under the Chinese Academy of Social Sciences. He serves as a professor of postgraduate school and a doctoral supervisor of the Chinese Academy of Social Sciences, and a part-time doctoral instructor of the Central University of Finance and Economics as well as the Tianjin University of Finance & Economics and a visiting professor of Southwestern University of Finance and Economics. He has been serving as an independent director of Ping An Bank from January 2014.

Mr. Wang Songqi graduated from the finance faculty of Jilin Institute of Finance and Trade with a Bachelor degree in economics in 1982. He obtained a master degree in economics from the finance faculty of Tianjin College of Finance & Economics in 1985 and he obtained a doctorate degree from the finance faculty of Renmin University of China in 1998. He lectured in the finance faculty of Renmin University of China during August 1988 to December 1995. He has been acting as a researcher of the Institute of Finance and Trade under the Chinese Academy of Social Sciences and a researcher of the Institute of Finance under the Chinese Academy of Social Sciences since January 1996.

Mr. Wang Songqi serves as a counselor of the fourth session of the Chinese Financial Association and the Chairman of the National Finance Association for the Young and Middle Age since 1990. He is currently an executive counselor of the sixth session of the Chinese Financial Association, and an editor of the Banker magazine. He is entitled to the special government allowances of the State Council. He serves as an Independent Director of the Baoshang Bank since 2013.

III. Positions(Continued)

1. Professional backgrounds, major work experience and recent duties in the Company of the incumbent directors, supervisors and senior management.(Continued)

Mr. Han Xiaojing, Independent Director, Chairman of Remuneration and Appraisal Committee and member of each of Related Party Transaction Monitoring Committee and Nomination Committee of the Board.

Born in 1955, he holds a master degree in law and is a practice lawyer in PRC. He is one of the founding partners of the Commerce & Finance Law Office. He has been serving as an independent director of Ping An Bank from January 2014 to present.

Mr. Han Xiaojing obtained a bachelor degree in law from Zhongnan University of Economics and Law (formerly the Hubei Institute of Finance and Economics) in 1982. He obtained a master degree in law from the China University of Political Science and Law in 1985. From 1985 to 1986, he served as an instructor in the China University of Political Science and Law in 1985. From 1986 to 1992, he served as a lawyer for the China Legal Services Centre. He is a partner of the Commerce & Finance Law Office since 1992, mainly engages in the businesses of securities, restructuring/merger and acquisition, banks and project financing business.

Mr. Han Xiaojing serves as an independent executive director of the Sino-ocean Land Holdings Limited since 2007. He also serves as an independent non-executive director of Far East Horizon Limited since 2011. Mr. Han has been serving as an independent non-executive director of SINOTRANS Limited and an independent director of Beijing Sanju Environmental Protection and New Material Co., Ltd. since 2014.

Mr. Qiu Wei, Chairman of the Board of Supervisors and Shareholder Supervisor.

Born in 1962, he holds a doctorate degree in Finance and is a senior economist. He is currently the Chairman of the Board of Supervisors, deputy secretary of CPC Committee and secretary of Discipline and Inspection Commission of Ping An Bank.

Mr. Qiu Wei previously worked as deputy section chief and section chief of the People' People's Bank of China Sichuan Luzhou Branch, head of the General Office of the headquarters, deputy president of sub-branch and assistant to general manager of HR Department of headquarters of Shenzhen Development Bank; head of office, assistant to branch president, vice president, president and secretary of CPC Committee of Guangdong Development Bank Shenzhen Branch, president and deputy secretary of CPC Committee of Shenzhen International Trust Investment Company; Chairman of the Board of Supervisors, deputy Secretary of CPC Committee and secretary of Discipline and Inspection Commission of Shenzhen Commercial Bank and Chairman of the board of supervisors, deputy secretary of CPC Committee, secretary of Discipline and Inspection Commission and Chairman of Labor Union of former PAB; the Chairman of the Board of Supervisors and secretary of Discipline and Inspection Commission of Shenzhen Development Bank.

Mr. Che Guobao, Shareholder Representative Supervisor and member of Nomination and Appraisal Committee of the Board of Supervisors.

Born in 1949, he holds a Bachelor's Degree in Construction Machinery. He is currently a shareholder, legal representative and Chairman of Shenzhen Yingzhongtai Investment Co., Ltd.

Mr. Che Guobao previously worked as a vice director of Beijing Construction Lightweight Steel Factory, group leader in the 3rd training session of China Merchants Shekou Industrial Zone, deputy director general and secretary of CPC Committee of Shenzhen Shekou Management Bureau, officer of System Reform Office of People's Government of Shenzhen, deputy managing director of China Merchants Shekou Industrial Zone Co., Ltd, director of China Merchants Shekou Industry & Enterprise Office, general manager of China Merchants Shekou Port Service Company, general manager of China Merchants Import & Export Company, director of Technical Title Certification Committee of China Merchants Shekou Industrial Zone, cadre of No.11 Office of People's Government of Guangdong Province, Chairman of Shenzhen Yueshang Industrial Co., Ltd.

Mr. Zhou Jian Guo, External Supervisor and Chairman of Nomination and Appraisal Committee of the Board of Supervisors.

Born in 1955, he holds a master degree in economics, and a senior accountant. He is currently the Chairman and secretary of CPC committee of the Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd.

Mr. Zhou Jianguo had been the in-charge of teaching and research unit of finance faculty of the Jiangxi University of Finance and Economics, the vice-director of the faculty of accounting, the director of department of adult education. He had been served as the deputy general manager of Shenzhen Zhongluxin Industrial Company Limited, the head of audit department, head of the treasury department, assistant to President of Shenzhen Commercial Trading Investment Holding Limited. During such period, he also served as the Chairman and secretary of CPC committee of Shenzhen Shangkong Industrial Company Limited and the head of treasury department and deputy general manager of the Shenzhen Investment Holdings Co. Ltd.

Mr. Luo Xiangdong, External Supervisor and Chairman of Audit and Supervision Committee of the Board of Supervisors.

Born in 1953, he holds a Master's Degree in Economies and is a senior economist. He has been worked in the banking sector for 25 years.

Mr. Luo Xiangdong served as a teacher in Guangzhou No. 69 Secondary School, teacher of economics in the Marxism-leninism education department of Guangzhou University of Chinese Medicine, a cadre of section chief rank of the Special Economic Zone of the Guangdong provincial government; director of the office and general manager of development department of China Guangfa Bank, executive vice president and secretary of Disciplinary Committee of Shenzhen Branch of China Guangfa Bank, supervisor of headquarters of China Guangfa Bank and also director of Shenzhen Airlines Co., Ltd. and Shenzhen Vpower Finance Security Company Limited. During his service in China Guangfa Bank, he supervised businesses such as credit, finance, risk and operation, etc.

Information on Directors, Supervisors, Senior Management and Staff

III. Positions(Continued)

1. Professional backgrounds, major work experience and recent duties in the Company of the incumbent directors, supervisors and senior management.(Continued)

Mr. Wang Cong, External Supervisor and member of Audit and Supervision Committee of the Board of Supervisors.

Born in 1958, he holds a doctorate degree in Economics, and is a professor and doctoral supervisor, a special term professor (Pearl River scholar) of the Guangdong province, senior visiting scholar. He is currently a leader in national key disciplines (finance) and a leader in national key disciplines (industrial economies).

Mr. Wang Cong had served in the People's liberation army 35427 Garrison and the Guizhou province branch of the People's Bank of China. He had served in the Finance department of Guizhou College of Finance and Economics as tutor and instructor, the department head of Finance department of Jinan University and the deputy head of International School. He had also served as an Independent Director of Guangdong Finance Trust Co. Ltd. and Jiangmen Ronghe Rural Commercial Bank.

Ms. Wang Lan, Employee Supervisor and member of Audit and Supervision Committee of the Board of Supervisors.

Born in 1970, she holds a Master's Degree in Business Administration. She currently works as deputy general manager of the Financial Planning Department of Ping An Bank.

Ms. Wang Lan was previously deputy director of Accounting Unit under International Business Department of Shenzhen Development Bank, deputy unit manager of the shroff office and manager of General Unit of the Accounting Department, manager of General Unit under Planning Finance and Accounting Department, manager of the Financial Information and Asset and Liability Management Department, assistant to general manager and deputy general manager of the Financial Information and Assets and Liabilities Management Department.

Mr. Cao Lixin, Employee Supervisor and member of Nomination and Appraisal Committee of the Board of Supervisors.

Born in 1968, he holds a Bachelor's Degree in Automatic Control. He currently works as the president of Huizhou branch of Ping An Bank.

Mr. Cao Lixin was previously accountant, deputy accounting section chief, manager of the Accounting and Settlement Department of Taiping Qiao sub-branch of the Industrial and Commercial Bank in Harbin, deputy unit manager of Accounting Department of Shenzhen Development Bank, acting person-in-charge and deputy general manager (In-charge) of Finance and Accounting Department of Qingdao branch, person-in-charge and general manager of Finance and Accounting Department of the sub-branch in Qingdao Economic and Technological Development Zone, and assistant to general manager and deputy general manager of Accounting and Settlement Department of the headquarters and Operation Officer of Shenzhen Branch of Ping An Bank.

Ms. Amy Choi, Vice President.

Born in April 1958, she pursued further education in City University, UK in 1981 and obtained her master's degree. She was elected as a chartered member of British Computer Society in 2004, and was invited to act as an honorary certified financial management planner of Hong Kong Institute of Bankers in 2009.

She served as a programmer/systems analyst in Armitage Ltd. (Hong Kong) from January 1978 to December 1979, served as a systems engineer in ICL (Hong Kong) from January 1980 to September 1980, successively served as a management trainee, systems engineering intern, assistant systems engineer, systems engineer, systems engineering consultant and systems engineering manager in IBM China (Hong Kong) from February 1982 to December 1993, successively served as the head for systems development of the Science and Technology Development of Citi Consumer Bank in Hong Kong and Macau, manager of Hankou Centre Branch, manager of credit card merchant relations team, head of direct and international personal banking, regional sales manager and director of direct banking division of Consumer Bank from January 1994 to November 2004, served as a director of branch sales and distribution department of Citibank Hong Kong from November 2004 to June 2010, and was dispatched to China by Citibank and served as the vice president of China Guangfa Bank (retail banking) since July 2010. She has been serving as the vice president of Ping An Bank since March 2013.

Mr. Feng Jie, Vice President.

Born in 1957, he is a postgraduate with a master's degree and a senior economist. He graduated from the Southwestern University of Finance and Economics in 1984 with a bachelor degree in finance, and graduated from China Europe International Business School in 1998 as a postgraduate with an in-service EMBA degree.

Mr. Feng Jie entered the banking industry in 1979 and worked in Shanghai Branch of People's Bank of China, Shanghai branch of Industrial and Commercial Bank of China and Shanghai branch of China CITIC Bank. He consecutively served as an assistant to the president, vice president, vice president (In-charge) and president of Shanghai branch of China CITIC Bank. In April 2004, he joined the former PAB as executive vice president. In December 2006, he was transferred to Shenzhen Commercial Bank where he worked as executive vice president. From July 2007 to November 2010, he served as executive director and executive vice president of former PAB and was in charge of the operation management of the Business Department of Eastern Region of the former PAB. He also served as non-executive director of former PAB from December 2011 to June 2012. He joined Ping An Bank (former SDB) in December 2010 as a vice president and is in charge of operation and management of eastern region of Ping An Bank.

Mr. Wu Peng, Vice President.

Born in 1965, he holds a doctorate degree. He graduated from Nanjing University in 2003 and received a doctorate degree in Business Administration.

Mr. Wu Peng entered the financial sector in 1989, and he has served in different subsidiaries under Ping An China, including deputy general manager of Shenzhen Branch of Ping An Life Insurance, general manager of Nanjing Branch of Ping An Life Insurance, assistant general manager of the head office of Ping An Property & Casualty Insurance, deputy general manager of the headquarters of Ping An Life Insurance, general manager of the headquarters of Ping An Property & Casualty Insurance, chairman of Ping An Insurance (Hong Kong), and general manager of Eastern Region Business of Division of former PAB. He joined Ping An Bank (former SDB) in August 2011 as a vice president and is in charge of operation and management of northern region of Ping An Bank.

Information on Directors, Supervisors, Senior Management and Staff

III. Positions(Continued)

1. Professional backgrounds, major work experience and recent duties in the Company of the incumbent directors, supervisors and senior management.(Continued)

Ms. Chen Rong, Vice President.

Born in 1968, she holds a Master's degree in Corporate Economic Management from the Zhongnan University of Economics and Law.

Ms. Chen Rong joined Ping An Bank (former SDB) in 1993 upon graduation. She has been served as a credit officer, a supervisor of the international business department, vice president and president of Nantou branch. In November 2001, she was transferred to the headquarter where she worked as the general manager of the credit department, executive director of credit risk department, chief internal control officer and chief operating officer. From April 2011 to January 2012, Ms. Chen served as the president of Shenzhen branch. From January 2012 to March 2014, she served as the assistant to president of the headquarters of Ping An Bank, and responsible for the management of five branches in West District. She has been serving as the vice president of the headquarters of Ping An Bank since March 2014, and responsible for inter-bank loan of Ping An Bank.

Mr. Zhou Qiang, Secretary to the Board.

Born in 1972, he graduated from the Financial Faculty of Nankai University majoring international financial and obtained a doctorate degree in economics.

From July 2001 to April 2007, he worked at Ping An Securities Company Ltd. as the senior manager and business director of the investment banking division and the deputy general manager and general manager of the investment banking management division. From April 2007 to October 2011, he served as the deputy head of the board office and the securities affairs representative of Ping An Insurance (Group) Company of China, Ltd. From October 2011 to May 2014, he was the assistant to general manager and deputy general manager of Ping An Securities Company Ltd. Since June 2014, he has been serving as the Secretary to the Board of Ping An Bank.

2. Positions held by directors and supervisors in shareholder companies

Name	Name of shareholder company	Position	Tenure
Sun Jianyi	Ping An Insurance (Group) Company of China, Ltd.	Executive Deputy General Manager	October 1994-Now
		Executive Director	March 1995-Now
		Vice Chairman	October 2008-Now
Yao Bo	Ping An Insurance (Group) Company of China, Ltd.	Executive Director	June 2009-Now
		Chief Financial Officer	April 2010-Now
		Chief Actuary	October 2012-Now
		Executive Deputy General Manager	January 2016-Now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	September 2008-Now
So Lan Ip	Ping An Insurance (Group) Company of China, Ltd.	Deputy General Manager	January 2011-Now
		Compliance Officer	July 2010-Now
		Responsible Person of Audit	March 2008-Now
		Chief Audit Officer	March 2006-Now
Cai Fangfang	Ping An Insurance (Group) Company of China, Ltd.	Executive Director	July 2014-Now
		Chief Human Resources Officer	March 2015-Now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	December 2013-Now
Chen Xinying	Ping An Insurance (Group) Company of China, Ltd.	Executive Deputy General Manager	January 2016-Now
		Chief Operating Officer	December 2013-Now
		Chief Information Officer	January 2013-Now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	June 2013-Now
Li Jinghe	China Electronics Shenzhen Company	Vice Chairman	January 2008-October 2015
		Secretary of CPC Committee	May 2006-October 2015

Information on Directors, Supervisors, Senior Management and Staff

III. Positions(Continued)

3. Full-time/Part-time Positions held concurrently by Directors, Supervisors and Senior Management in companies other than shareholder companies

Name	Name of Company	Position
Sun Jianyi	Shenzhen Vanke Co., Ltd.	Non-executive Director
	China Insurance Security Fund Co. Ltd.	Non-executive Director
	Haichang Holdings Ltd.	Independent Director
Shao Ping	Executive Board of Wharton School of Business in the United States	Executive Director for Asia-Pacific Region
	Anxin Trust & Investment Co., Ltd.	Independent Director
Yao Bo	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Health Insurance Company Limited	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	Ping An Asset Management Co., Ltd.	Non-executive Director
	China Ping An Trust Co., Ltd.	Non-executive Director
	Ping An Securities Co., Ltd.	Non-executive Director
	China Ping An Insurance Overseas (Holdings) Limited	Non-executive Director
	Ping An Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Non-executive Director
	Ping An Channel Development Consultation Service Company of Shenzhen, Ltd.	Non-executive Director
	Ping An of China Asset Management (Hong Kong) Company Limited	Non-executive Director
	Ping An UOB Fund Management Co., Ltd.	Non-executive Director
	Shanghai Lujiazui International Financial Assets and Exchange Market Co., Ltd.	Non-executive Director
	Xishuangbanna Financial Assets and Commodity Exchange Co., Ltd.	Non-executive Director
	Ping An International Financial Leasing Co., Ltd.	Non-executive Director
So Lan Ip	Ping An Annuity Insurance Company of China, Ltd.	Chairman of the board of supervisors
	Ping An Health Insurance Company Limited	Chairman of the board of supervisors
Cai Fangfang	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Asset Management Co., Ltd.	Non-executive Director
Chen Xinying	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	Ping An Asset Management Co., Ltd.	Non-executive Director
	Ping An Health Insurance Company Limited	Non-executive Director
	Ping An of China Asset Management (Hong Kong) Company Limited	Non-executive Director
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Non-executive Director

Name	Name of Company	Position
Chen Xinying	Ping An Technology (Shenzhen) Co., Ltd.	Chairman and CEO
	Ping An Processing & Technology (Shenzhen) Co., Ltd.	Chairman
	Shanghai Lujiazui International Financial Assets and Exchange Market Co., Ltd.	Non-executive Director
	Xishuangbanna Financial Assets and Commodity Exchange Co., Ltd.	Non-executive Director
Li Jinghe	China Electronics Zhuhai Company Limited	Chairman
	Zhuhai CEIEC Hi-Tech Industry Investment Co., Ltd.	Chairman
	Shenzhen Jingwah Electronics Co., Ltd.	Vice Chairman
Chu Yiyun	Shanghai University of Finance and Economics	Professor
	Shanghai Jinfeng Wine Co., Ltd.	Independent Director
	China Jushi Co., Ltd.	Independent Director
	Zhejiang Qinglian Food Co., Ltd.	Independent Director
	Tellhow Sci-tech Co., Ltd.	Independent Director
Wang Chunhan	Bank of Tibet	Independent Director
	Wuhan Municipal People's Government	Counselor
Wang Songqi	Baoshang Bank	Independent Director
	Chinese Academy of Social Sciences	Professor
	Central University of Finance and Economics	Part-time Professor
	Tianjin University of Finance & Economics	Part-time Professor
	Southwestern University of Finance and Economics	Part-time Professor
	Sixth session of the Chinese Financial Association	Executive Counselor
	The Banker Magazine	Editor
Han Xiaojing	Commerce & Finance Law Office	Partner
	Sino-ocean Lan Holdings Limited	Independent Non-executive Director
	Far East Horizon Limited	Independent Non-executive Director
	SINOTRANS Limited	Independent Non-executive Director
	Beijing Sanju Environmental Protection and New Material Co., Ltd.	Independent Director
Che Guobao	Shenzhen Yingzhongtai Investment Co., Ltd.	Chairman, Legal Representative and Shareholder
Zhou Jianguo	Shenzhen Special Economic Zone Real Estate & Properties (Group).Co., Ltd.	Chairman and CPC Committee Secretary
Wang Cong	Jinan University	Professor and Doctoral Supervisor

4. Penalties on the current and resigned Directors, Supervisors and Senior Management of the Company during the Reporting Period by the securities regulatory authority for the recent three years

□ Applicable √Non-applicable

IV. Annual compensations

The decisions in respect of compensation of directors, supervisors and senior management of the Bank and the basis of compensation is on the following basis and via the following procedures: the compensation plan for senior management of the Bank is reviewed and approved at the meetings of the Board; while the compensation plan for directors and supervisors is reviewed and approved by the Board before submitting to the general meeting for review and approval.

The following table shows the compensation of directors, supervisors and senior management during the reporting period:

(In RMB million)

Name	Position	Status	Sex	Age	Total remuneration before tax from the Bank	Receive remuneration from related parties of the Company or not
Sun Jianyi	Chairman	Current	M	62	-	Yes
Shao Ping	Director and President	Current	M	58	710.45	No
Yao Bo	Director	Current	M	44	-	Yes
Ip So Lan	Director	Current	F	59	-	Yes
Cai Fangfang	Director	Current	F	41	-	Yes
Chen Xinying	Director	Current	F	38	-	Yes
Li Jinghe	Director	Current	M	60	31.46	No
Hu Yuefei	Director and Vice President	Current	M	53	593.53	No
Zhao Jichen	Director and Vice President	Current	M	52	711.66	No
Chu Yiyun	Independent Director	Current	M	51	39.34	No
Wang Chunhan	Independent Director	Current	M	64	41.34	No
Wang Songqi	Independent Director	Current	M	63	34.32	No
Han Xiaojing	Independent Director	Current	M	60	39.98	No
Qiu Wei	Employee Representative Supervisor and Chairman of the board of supervisors	Current	M	53	317.18	No
Che Guobao	Shareholder Representative Supervisor	Current	M	66	29.32	No
Zhou Jianguo	External Supervisor	Current	M	60	29.32	No
Luo Xiangdong	External Supervisor	Current	M	62	32.92	No
Wang Cong	External Supervisor	Current	M	57	31.48	No
Wang Lan	Employee Supervisor	Current	F	45	305.30	No
Cao Lixin	Employee Supervisor	Current	M	47	333.25	No

(In RMB million)

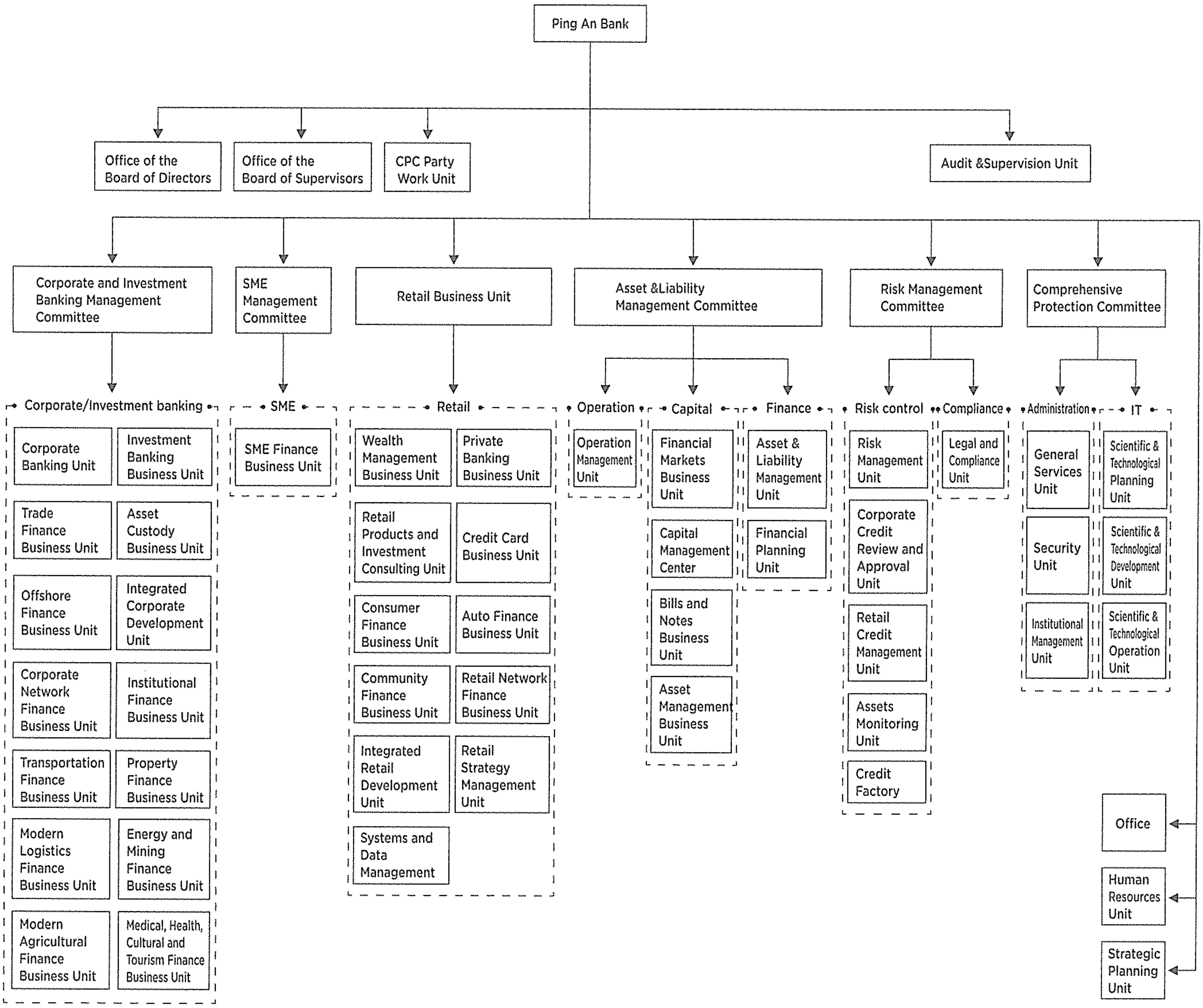
Name	Position	Status	Sex	Age	Total remuneration before tax from the Bank	Receive remuneration from related parties of the Company or not
Amy Choi	Vice President	Current	F	57	509.31	No
Feng Jie	Vice President	Current	M	58	426.70	No
Wu Peng	Vice President	Current	M	50	404.09	No
Chen Rong	Vice President	Current	F	47	478.59	No
Zhou Qiang	Secretary to the Board	Current	M	43	368.03	No
Ma Lin	Independent Director	Former	M	62	42.42	No
Ye Wangchun	Vice President	Former	M	60	93.38	No
Sun Xianlang	Vice President and Chief Financial Officer	Former	M	54	693.87	No

Notes: 1. The Chairman, Sun Jianyi, and the directors, namely Yao Bo, Ip So Lan, Cai Fangfang and Jessica Tan, held an office in and received remuneration from Ping An China, the controlling shareholder of the Bank. Please refer to the"2015 Annual Report of Ping An Insurance (Group) Company of China, Ltd." for details on their remuneration. The above persons received no remuneration from the Bank.

2. In accordance with the "Supervisory Guidelines on Sound Compensation in Commercial Banks" of China Banking Regulatory Commission and relevant provisions of the Bank, part of the performance pay of the Bank's senior management shall be deferred up to three years. The total remuneration before tax received by senior management from the Bank includes performance pay that has been deferred and is still outstanding. Such performance pay shall be settled over the next three years on an annual basis.

Information on Directors, Supervisors, Senior Management and Staff

V. Organization structure



VI. Institution expansion and employee management

1. Institution expansion status

At the end of the reporting period, the Bank had 54 branches and 997 operating institutions in total. Below is a list of institutions of the Bank (excluding institutions under the headquarters):

Name of institution	Address	Number of outlets	Asset size (RMB million)	Staff number
Shenzhen Branch	No.1099, Shennan Middle Road, Futian District, Shenzhen	154	466,492	4,085
Shanghai Branch	No. 1333, Lu Jia Zui Ring Road, Pudong New Area, Shanghai	66	254,793	2,192
Beijing Branch	No. 158, Fuxingmennei Street, Xicheng District, Beijing	65	216,734	1,870
Guangzhou Branch	No. 66, Huacheng Avenue, Zhujiang New Town, Tianhe District, Guangzhou	58	127,244	1,848
Hangzhou Branch	No. 36, Qingchun Road, Xiacheng District, Hangzhou	34	79,127	1,337
Nanjing Branch	No. 128, Shanxi Road, Gulou District, Nanjing	34	62,632	961
Chengdu Branch	No.99, Tianfu Second Street, Hi-Tech Zone, Chengdu	26	46,360	910
Tianjin Branch	No. 349, Nanjing Road, Nankai District, Tianjin	31	43,806	912
Kunming Branch	No. 448, Qingnian Road, Panlong District, Kunming	35	42,161	687
Zhengzhou Branch	No. 25, Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou	17	41,410	437
Foshan Branch	5th Area, Foshan Media Center, Yuhe Road, Dongping New City, Foshan	30	40,665	797
Dalian Branch	No. 130, Youhao Road, Zhongshan District, Dalian	31	37,162	781
Jinan Branch	No. 13777, Jingshi Road, Lixia District, Jinan	21	34,580	617
Wuhan Branch	No. 54, Zhongbei Road, Wuchang District, Wuhan	54	34,395	675
Xi'an Branch	No.240, Dongxin Street, Xincheng District, Xi'an	11	34,115	422
Chongqing Branch	No. 1, Xuetianwan Main Street, Yuzhong District, Chongqing	33	32,318	715
Qingdao Branch	No. 6, Hong Kong Road C., Shinan District, Qingdao	28	29,410	635
Ningbo Branch	No. 138, North Jiangdong Road, Jiangdong District, Ningbo	16	27,661	709
Xiamen Branch	No. 159, Hubin Road North, Siming District, Xiamen	22	23,595	397
Shanghai Pilot Free Trade Zone Branch	No. 1, Jilong Road, Shanghai Pilot Free Trade Zone	3	22,148	160
Fuzhou Branch	No. 109, Wusi Road, Gulou District, Fuzhou	43	20,472	600
Wenzhou Branch	No. 1707, Wenzhou Avenue, Ouhai District, Wenzhou	20	19,354	530
Haikou Branch	No. 22, Jinlong Road, Longhua District, Haikou	25	19,197	384

VI. Institution expansion and employee management(Continued)

1. Institution expansion status(Continued)

Name of institution	Address	Number of outlets	Asset size (RMB million)	Staff number
Yiwu Branch	No. 223, Binwang Road, Yiwu	10	15,617	308
Quanzhou Branch	No. 311, Fengze Road, Fengze District, Quanzhou	16	13,373	352
Zhuhai Branch	No. 288, Hongshan Road, Xiangzhou District, Zhuhai	11	12,626	331
Wuxi Branch	No. 670, Zhongshan Road, Wuxi	8	12,601	191
Dongguan Branch	Block A, Fortune Plaza, Hongfu Road, Nancheng District, Dongguan	9	12,112	369
Taiyuan Branch	No.6, Bingzhou Road North, Yingze District, Taiyuan	1	11,797	173
Zhongshan Branch	No. 1, Xingzheng Road, East District, Zhongshan	19	9,536	291
Huizhou Branch	No. 8, Maidi Road East, Huicheng District, Huizhou	13	9,484	265
Shijiazhuang Branch	No. 78, Xinhua Road, Xinhua District, Shijiazhuang	1	8,143	252
Taizhou Branch	No. 181, Baiyun Mountain Road South, Taizhou Economic Development Zone	6	7,020	139
Suzhou Branch	No. 89, Suxiu Road, Industrial Park, Suzhou	4	5,996	136
Shenyang Branch	No. 163-A-1, Nanjing Road North, Heping District, Shenyang	4	5,338	263
Changzhou Branch	No. 288, Feilong East Road, Changzhou	9	4,580	128
Linyi Branch	No. 10, Jinqueshan Road, Lanshan District, Linyi	2	4,373	61
Weifang Branch	No. 343, Dongfeng Road East, Kuiwen District, Weifang	1	3,634	44
Yantai Branch	No. 96, Huanshan Road, Zhifu District, Yantai	1	3,204	59
Zhangzhou Branch	Liyuan Plaza, Eastern Extension, Nanchang Road, Xiangcheng District, Zhangzhou	6	2,493	62
Changsha Branch	No. 456, Wuyi Avenue, Furong District, Changsha	1	2,489	146
Leshan Branch	No. 358, Chunhua Road Southern Section, Shizhong District, Leshan	1	1,824	30
Xiangyang Branch	No. 10, West Chunyuan Road, Xiangyang	1	1,605	41
Tianjin Pilot Free Trade Zone Branch	Building No.1, Ronghe Plaza, Xisi Road No. 168, Tianjin Pilot Free Trade Zone (Airport Economic Area)	1	1,498	72
Jingzhou Branch	Fengtai Building, Beijing Road, Shashi District, Jingzhou	2	1,447	39
Hengqin Branch of Guangdong Pilot Free Trade Zone	Building No. 7, Hengqin Financial District, Shizimen Central Business District, Hengqin New Area, Zhuhai	1	636	12

Name of institution	Address	Number of outlets	Asset size (RMB million)	Staff number
Nantong Branch	No. 38, Yuelong Road, Chongchuan District, Nantong	1	442	32
Honghe Branch	No. 6, Daqiao Street, Gejiu City	1	340	24
Nansha Branch of Guangdong Pilot Free Trade Zone	No. 106, Fengze Road East, Nansha District, Guangzhou	1	-	13
Shaoxing Branch	No. 711-713, Jiefang Avenue, Shaoxing	1	-	14
Fuzhou Region Branch of Fujian Pilot Free Trade Zone	No. 68-1, Jiangbin Avenue East, Mawei Town, Mawei District, Fuzhou	1	-	3
Xiamen Region Branch of Fujian Pilot Free Trade Zone	No. 99, Xiangyu Road, Huli District, Xiamen	1	-	5
Dongying Branch	No. 55, Fuqian Main Street, Dongying District, Dongying	1	-	17
Luoyang Branch	No. 55, Binhe Road South, Luolong District, Luoyang	1	-	8
Credit Card Center	No. 1, Liyumen Street, Qianwan Road 1, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen	1	143,800	5,627
Capital Management Center	No. 1333, Lujiazui Ring Road, Pudong New Area, Shanghai	1	91,695	66
Other affiliated institutions (Special Asset Management Center)	No. 5047, Shennan East Road, Luohu District, Shenzhen	1	7,397	44
SME Finance Department	No. 5047, Shennan East Road, Luohu District, Shenzhen	1	Included in branches	
Total		997	2,150,931	32,278

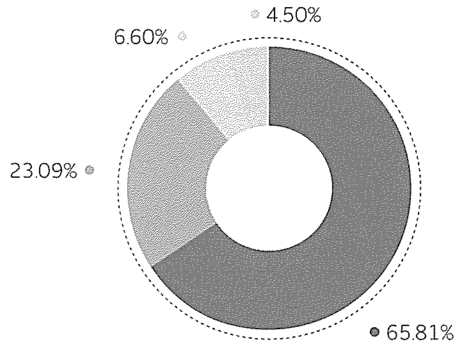
Note: The number of institutions is based on the licenses held. The number of outlets in Shenzhen includes the number of marketing department of the headquarters, while the number of staff includes dispatched employees.

Information on Directors, Supervisors, Senior Management and Staff

VI. Institution expansion and employee management(Continued)

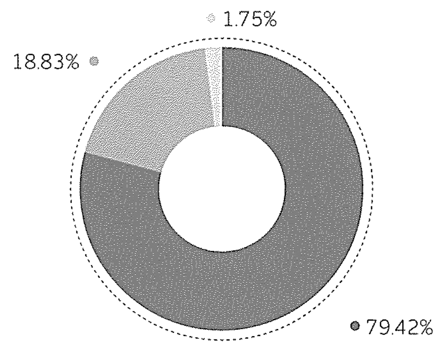
2. Information on employees

At the end of the reporting period, the Bank had 37,937 employees in total (including 5,638 dispatched employees), and 93 retired employees with pension benefits. Among the Bank's official employees, 21,257 were in business lines, 7,458 in financial and operation lines, 2,130 in management and operation support functions and 1,454 in administrative and other functions; 79.42% of them had bachelor's degree or above, and 98.25% of them had associate degree or above.



Official Employees Constitution

- Business lines 65.81%
- Financial and operation 23.09%
- Management and operation 6.60%
- Administrative 4.50%



Official Employees Educational Status

- Bachelor's degree or above 79.42%
- Associate degree 18.83%
- Other 1.75%

In addition, the Bank had 5,638 dispatched employees

To achieve the medium and long-term strategic development goals of the Bank, fully leverage the guiding functions of remuneration resources in demanding for a strategic transformation and stimulate the vitality of business activities, the Bank has gradually established a remuneration policy of "market-oriented and position bases salary, performance-based bonus, and long-term performance and bank market value-based long-term incentives" through improving incentive mechanism and designing a reasonable remuneration structure and standard.

In compliance with good corporate governance standards, the Bank has included risk factors in the incentive mechanism when conducting performance appraisal. In addition, the Bank has established multi-dimensional indicators to assess the performance of different operating units, and set up a remuneration and appraisal result linked mechanism. Meanwhile, the Bank has established a system in which the bonus of employee is linked with his/her personal performance, performance of the department and performance of the Bank. This enables the Bank to give full play to the initiative of its employees.

To better prevent risks and avoid inappropriate or excess incentives, the Bank continued to defer the payment of incentives to all senior management, other managers responsible for risk management and front-line personnel during the year. The term of deferral is the same as risk exposure term. The Bank will decide whether payment will be made and the payment rate in accordance with the risk indicator, as well as the nature and effect of risk events.

Corporate Governance

I. Basic Information on Corporate Governance

During the reporting period, the Bank was committed to further enhancing the corporate governance system and structure pursuant to the provisions of the Company Law, the Securities Law, the Commercial Banking Law and other relevant laws and regulations, as well as regulatory requirements stipulated by the China Securities Regulatory Commission ("CSRC") and the China Banking Regulatory Commission ("CBRC"). The Bank had established a number of corporate governance systems, including Articles of Association, Rules of Procedures for Shareholders' General Meetings, Rules of Procedures for Meetings of the Board of Directors and its Special Committees, Rules of Procedures for Meetings of the Board of Supervisors and its Special Committees, Information Disclosure Administration Rules, Investor Relations Working System, Administrative Measures on Shareholdings in the Company by the Directors, Supervisors and Senior Management and Related Changes, Inside Information and Insider Administration System, Accountability System for Material Errors in Information Disclosure in the Annual Report, System for Preventing Fund Appropriation by Substantial Shareholders and their Related Parties and Measures for Performance Appraisal of Directors and Supervisors. During the reporting period, the Bank further amended the working rules of different committees of the Board and the administrative measures on related party transactions base on relevant regulations and actual condition.

During the reporting period, shareholders' general meetings of the Bank effectively performed its functions in strict compliance with the Company Law, the Articles of Association and relevant provisions. The Board, accountable to the shareholders' general meetings and assuming the ultimate responsibility for the Bank's operation and management, convened meetings and exercised its rights according to the stipulated procedures. The Board of Supervisors, based on the attitude of being accountable to all shareholders, maintained close contact and communication with the Board and management in conducting performance appraisal of directors and supervisors and performing various supervisory duties and obligations effectively. Following the principle of good faith, management of the Bank performed their duties with care and diligence and carried out operation and management in accordance with decisions made by the Board.

Any significant deviation of actual corporate governance from regulatory documents regarding corporate governance of listed companies issued by CSRC

☐ Yes √ No

Corporate Governance

II. Independence and Integrity of the Bank Relative to the Controlling Shareholder in the Business, Personnel, Asset, Structural and Financial Aspects

The Bank is completely independent from its controlling shareholder in terms of business, structure, personnel, finance and assets, having independent and integral business and capable of operating independently. In respect of business, the Bank has its own production and operation and sales system; in respect of structure, the Bank is structurally organized to be completely independent from its controlling shareholder; in respect of personnel, the Bank and its controlling shareholder are mutually independent in areas such as labor, human resources and payroll management, and no member of the management holds positions in any institution of the controlling shareholder; as for the financial aspect, the Bank has established independent financial management systems and accounting and auditing mechanisms and deals with all the auditing and tax payment issues independently; in respect of assets, the Bank has a complete range of assets with clear ownership relationship. The Bank has its own independent business premises and various intangible assets such as industrial property rights, trademark registration rights and non-patent technologies.

During the reporting period, there was no non-compliance in corporate governance such as the controlling shareholder or the de facto controller interfering with the production, operation and management of the listed company.

III. Interbank Competition

☐ Applicable √ Not applicable

IV. Annual General Meeting and Extraordinary General Meetings Convened during the Reporting Period

Session and type of meeting	Participation	Date of meeting	Date of disclosure	Disclosure reference
2014 Annual General Meeting	60.8448%	April 2, 2015	April 3, 2015	Announcement on Poll Result of 2014 Annual General Meeting of Ping An Bank Co., Ltd. and Announcement on Poll Result of 2015 First Extraordinary General Meeting of Ping An Bank Co., Ltd., which were published on Shanghai Securities News, Securities Daily and CNINFO (http://www.cninfo.com.cn)
2015 First Extraordinary General Meeting	64.6197%	July 31, 2015	August 1, 2015	

Request from holders of preferred shares with restored voting rights for convening an extraordinary general meeting

☐ Applicable √ Not applicable

V. Performance of Duty by Independent Directors during the Reporting Period

In 2015, in accordance with relevant laws, rules and regulations as well as the requirements of the Bank's Articles, independent directors of the Bank performed their duties in a proactive, effective and independent manner, making independent judgments and decisions on material affairs and expressing objective and fair independent views to protect the overall interests of the Bank, paying particular attention to safeguarding against the violation of the legitimate rights and interests of minority shareholders. Independent directors have made due contributions to enhancing corporate governance, building the Board and advancing operation and management.

1. Attendance of independent directors in Board meetings and shareholders' general meetings

Attendance of independent directors in Board meetings

Name of independent directors	Number of Board meetings that should be attended during the reporting period	Times of attendance in person	Times of participation by way of communication	Times of attendance by a representative	Times of absence	Any situation of not attending the meeting in person for two consecutive times
Ma Lin	9	4	5	0	0	No
Chu Yiyun	9	4	5	0	0	No
Wang Chunhan	9	4	5	0	0	No
Wang Songqi	9	3	5	1	0	No
Han Xiaojing	9	4	5	0	0	No
Times of attendance of independent directors in shareholders'general meetings as non-voting attendees	Twice					

No independent director failed to attend the board meetings in person for two consecutive times.

2. Independent directors had not raised objection to any issue of the Bank during the Reporting Period.

3. Other information on the performance of duty by independent directors

Were suggestions made by independent directors with respect to the Bank adopted

√Yes □ No

During 2015, independent directors expressed their independent view on 12 relevant agenda items that are to be considered by the Board. They made a number of opinions and suggestions during and between the meetings, all of which were adopted or addressed by the Bank.

VI. Performance of Duty by Special Committees of the Board during the Reporting Period

Under the 9th session of the Board of the Bank, there are six special committees, namely, the strategic and development committee, the audit committee, the risk management committee, the related party transaction monitoring committee, the nomination committee and the remuneration and appraisal committee. During 2015, the special committees convened a total of 20 meetings, including one meeting of the strategic development committee, five meetings of the audit committee, five meetings of the risk management committee, three meetings of the related party transaction monitoring committee, two meetings of the nomination committee and four meetings of the remuneration and appraisal committee. Each special committee under the Board performs its duties in strict accordance with the Articles of Association, the Rules of Procedures for Meetings of the Board of Directors as well as the terms of reference of each committee, giving comments and suggestions to the Bank in respect of relevant matters, playing an important role for the scientific decision-making of the Board.

VII. Composition and Work of the Board of Supervisors

During the reporting period, the Board of Supervisors, based on the attitude of being accountable to all shareholders and employees and in pursuant to the Company Law, the Securities Law, the guidelines of regulatory authorities, the Articles of Association of the Bank and the requirements of regulations and systems of the Board of Supervisors, carried out its duties with dedication and diligence and conducted operations according to law. It has established a more comprehensive supervision system, which covers supervision of meeting, site visit, inspection and evaluation, communication, as well as daily information collection and supervision.

Under the 8th session of the Board of Supervisors of the Bank, there are two special committees, the audit and supervision committee and the nomination and appraisal committee. In 2015, the Board of Supervisors convened a total of seven meetings of the Board of Supervisors and the special committees of the Board of Supervisors convened six meetings (including four meetings of the audit and supervision committee and two meetings of the nomination and appraisal committee), and expressed independent opinions on the duty performance of audit department, the Board and senior management of the Bank, as well as relevant reports and conclusions. During the year, chairman and members of the Board of Supervisors attended seven meetings of the Board, 14 special committee meetings of the Board and two shareholders' general meetings as non-voting attendees. They have attended most of the working meetings, department meetings, prevention plan meetings and risk control meetings of the Bank directly, participated in supervision of decision-making on significant matters, improved the communications between the "three leaders", and supervised the decision-making mechanism.

Internal Control

VIII. Work of External Supervisors

During the reporting period, in accordance with relevant laws, rules and regulations as well as the requirements of the Bank's Articles, all the three external supervisors of the Bank performed their duties in a proactive, effective and independent manner and expressing independent views to protect the overall interests of the Bank, hence making due contributions to the Bank in optimizing corporate governance and improving supervisory mechanisms.

Attendance of external supervisors in meetings of the Board of Supervisors

Attendance of external supervisors in meetings of the Board of Supervisors	Attendance of external supervisors in meetings of the Board of Supervisors	Attendance of external supervisors in meetings of the Board of Supervisors	Attendance of external supervisors in meetings of the Board of Supervisors	Attendance of external supervisors in meetings of the Board of Supervisors	Attendance of external supervisors in meetings of the Board of Supervisors
Zhou Jianguo	7	7	0	0	No
Luo Xiangdong	7	7	0	0	No
Wang Cong	7	7	0	0	No

Did the Board of Supervisors discover any risk in the Bank's supervision activities during the reporting period

☐ Yes √ No

The Board of Supervisors had no objection to any supervision matters during the reporting period.

IX. Remuneration Management Structure and Decision-making Procedures

In respect of the remuneration and appraisal committee under the Board, independent directors account for more than half of its members and members of the committee have expertise in specialized areas. The remuneration and appraisal committee performs its duties in accordance with the Terms of Reference of the Remuneration and Appraisal Committee of the Board of Directors of Ping An Bank, primarily responsible for reviewing the Bank's remuneration management system and policy, formulating remuneration plans for directors and senior management, providing recommendations in respect of remuneration to the Board, and overseeing the implementation of plans.

X. Appraisal and Incentive Mechanism for Senior Management

During the reporting period, the Board and the Remuneration and Appraisal Committee conducted an appraisal of senior management based on the completion of the Bank's annual objectives and plans and paid bonuses to the senior management based on the appraisal results. The Bank will keep improving the performance appraisal of senior management and the incentive and restraint mechanisms.

XI. Internal Control

1. Details on material deficiencies in internal control identified during the reporting period

☐ Yes √ No

2. Self-assessment Report on Internal Control

Date of disclosure of self-assessment report on internal control	March 10, 2016
Reference of disclosure of self-assessment report on internal control	CNINFO (http://www.cninfo.com.cn)
Percentage of total assets being assessed over total assets under consolidated financial statements of the Bank	100%
Percentage of operating income being assessed over operating income under consolidated financial statements of the Bank	100%

Deficiencies definition

Qualitative definition

Financial report

Material deficiency: One or several deficiency(ies) in internal control over financial reporting that has a reasonable possibility that a material error of the company's financial statements will not be prevented, detected or corrected on a timely basis.

Key deficiency: One or several deficiency(ies) in internal control over financial reporting that is less severe than a material weakness, yet significant enough to cause deviations from the control targets.

Normal deficiency: One or several deficiency(ies) in internal control over financial reporting in addition to material deficiency and key deficiency mentioned above.

Non-financial report

Compliance: Material deficiency refers to violation of national laws and regulations or regulatory documents which resulting in restriction in business scope, establishment of new branch or asset relocation (such as dividend distribution, asset acquisition etc.), or suspension in operation for rectification or revoke of operating license; key deficiency refers to violation of internal rules in respect of documents submission or report to external regulators; or violation of national laws and regulations or regulatory documents resulting in penalties on individual or institution including economic penalties, public reprimand, rectification order etc., or demotion on individual or restriction in commencing operation; normal deficiency refers to violation of internal rules or similar restriction of internal rules or external regulatory standard resulting in incompliance alert.

Strategy and operating goal: Material deficiency refers to unreasonable implementation, severe deviation and incorrect direction of strategy and operating goals or key standards, which adversely affect the achievement of goals; key deficiency refers to unreasonable implementation and severe deviation of strategy and operating goals or key standards, which will have a negative impact on the achievement of goals; normal deficiency refers to minor unreasonable and deviation of strategy and operating goals or key standards, which slightly affect the achievement of goals.

XI. Internal Control

2. Self-assessment Report on Internal Control(Continued)

Sustainable business and customer service: Material deficiency refers to matter which will has tremendous effect on normal operation of key operations or service quality, and result in prolonged service disruption in large or small business scope, or large scale customer complaints, aggressive actions or significant litigations; key deficiency refers to matter which will has greater effect on normal operation of key operations or service quality, and result in short-term service disruption in large or small business scope, or some customer complaints and aggressive actions; normal deficiency refers to matter which will has minor effect on normal operation of key operations or service quality, and result in temporary service disruption in small business scope, or complaints from individual customers.

Information disclosure: Material deficiency refers to false information that may cause the users of internal and external information to make a completely opposite decision, resulting in irrevocable loss from such decision; key deficiency refers to false information that may affect the judgment on nature of the event made by the users of internal and external information, resulting in wrong decision to a certain extent, or even significant wrong decision; normal deficiency refers to minor default in accuracy of information, which will not affect the judgment made by the users of internal and external information.

Effect on reputation: Material deficiency refers to bad news spread across the world, resulting in investigation by government authorities or regulatory departments, significant litigation, and irreparable damage to reputation; key deficiency refers to bad news which being concerned by citizens across the country, resulting in litigation and having moderate damage to reputation; normal deficiency refers to bad news spread within the region or internal departments, resulting in minor damage to reputation.

Data and information system: Material deficiency refers to fatal threats to the completeness of system data, in which unauthorized data changes will result in tremendous losses to business operations. This will have tremendous impact on normal business operations, resulting in disruption of all business operations and loss of customers; key deficiency refers to certain or significant impact on the completeness of system data, in which unauthorized data changes will result in losses to business operations to a certain extent, or affect the accuracy of financial records. This will have some impacts on business operations, resulting in low operating efficiency, thus affecting the services and products offered to customers; normal deficiency refers to limited impact on the completeness of system data, with only minor losses on business operations and financial records as a result of unauthorized data changes. This will not have direct impact on normal business operation.

Quantitative definition

Financial report

Material deficiency: One or several deficiency(ies) which may result in an error in annual financial statements, with affected amount representing over 5% of profits before tax in consolidate financial statements for the year.

Key deficiency: One or several deficiency(ies) which may result in an error in annual financial statements, with affected amount representing 1% to 5% of profits before tax in consolidated financial statements for the year. Normal deficiency: One or several deficiency(ies) which may result in error in annual financial statements, with affected amount representing less than 1% of profits before tax in consolidate financial statements for the year.

Normal deficiency: One or several deficiency(ies) which may result in an error in annual financial statements with effected amount representing less than 1% of profit before tax in consolidated financial statements for the year.

Non-financial report

Actual financial loss: Material deficiency refers to actual financial loss that may be incurred, or the actual affected amount arising from the deficiency represents over 5% of profits before tax in consolidate financial statements for the prior year; key deficiency refers to actual financial loss that may be incurred, or the actual affected amount arising from the deficiency represents 1% to 5% of profits before tax in consolidate financial statements for the prior year; normal deficiency refers to actual financial loss that may be incurred, or the actual affected amount arising from the deficiency represents less than 1% of profits before tax in consolidate financial statements for the prior year.

Strategy and operating goal: Material deficiency refers to deficiency that may result in failure in achieving the medium to long-term strategy and operating goal, or only less than 30% of the annual operating goal can be achieved; key deficiency refers to deficiency that may result in only 30% to 70% (inclusive) of the annual operating goal can be achieved; normal deficiency refers to may result in only over 70% of the annual operating goal can be achieved.

Operating efficiency and result: Material deficiency refers to deficiency that may result in failure in effective operation of over two operating procedures or some operations of units under valuation; key deficiency refers to the effective operation of one operating procedure may affect the effective operation of an operating procedure or an operation of unit under valuation to a certain extent or failure in operation; normal deficiency refers to deficiency that unlikely to affect or only slightly affect the effective operation of an operating procedure.

Number of material deficiencies in financial report	0
Number of material deficiencies in non-financial report	0
Number of key deficiencies in financial report	0
Number of key deficiencies in non-financial report	0

3. **Internal Control Audit Report**

√ Applicable ☐ Not applicable

Paragraphs of audit opinion in the internal control audit report	
We believed that Ping An Bank has maintained effective financial reporting internal control in all material aspect according to C-SOX and related requirements as at December 31, 2015.	
Disclosure of internal control audit report	Disclosed
Date of disclosure of internal control audit report	March 10, 2016
Reference of disclosure of internal control audit report	CNINFO (http;//www.cninfo.com.cn)
Type of opinion in the internal control audit report	Unqualified
Any material deficiencies in non-financial report	No

Whether the accounting firm issues an audit report on internal control with qualified opinion

☐ Yes √ No

Whether the audit report on internal control issued by the accounting firm consistent with the self-assessment report of the Board

√ Yes ☐ No

Finanical Statement

Auditors' Report

PwC ZT Shen Zi (2016) No 10021

To the Shareholders of Ping An Bank Co., Ltd.,

We have audited the accompanying financial statements of Ping An Bank Co., Ltd. (hereinafter "Ping An Bank"), which comprise the balance sheet as at 31 December 2015, and income statement, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of Ping An Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ping An Bank as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

Chinese Certified Public Accountant: Yao Wenping
(signature and personal chop)
Chinese Certified Public Accountant: Zhu Liping
(signature and personal chop)

9 March 2016

Balance Sheet

31 December 2015
(All amounts in RMB millions unless otherwise stated)

	Note III	2015-12-31	2014-12-31
ASSETS:			
Cash on hand and due from the Central Bank	1	**291,715**	306,298
Deposits with banks and other financial institutions	2	**109,046**	66,969
Precious metals		**63,744**	45,254
Placements with banks and other financial institutions	3	**76,636**	45,841
Financial assets at fair value through profit or loss	4	**19,757**	25,811
Derivative financial assets	5	**8,144**	4,300
Reverse repurchase agreements	6	**117,291**	178,636
Accounts receivable	7	**6,624**	9,925
Interest receivable	8	**13,540**	11,937
Loans and advances	9	**1,186,872**	1,003,637
Available-for-sale financial assets	10	**1,245**	1,493
Held-to-maturity investments	11	**266,166**	207,874
Receivables	12	**307,635**	246,258
Long-term equity investments	13	**521**	486
Investment properties	14	**212**	110
Fixed assets	15	**4,788**	3,812
Intangible assets	16	**4,961**	5,293
Goodwill	17	**7,568**	7,568
Deferred tax assets	18	**8,728**	6,834
Other assets	19	**11,956**	8,123
TOTAL ASSETS		**2,507,149**	2,186,459

The accompanying notes form an integral part of these financial statements.

Balance Sheet (continued)

31 December 2015
(All amounts in RMB millions unless otherwise stated)

	Note III	2015-12-31	2014-12-31
LIABILITIES			
Due to the Central Bank		3,051	2,754
Deposits from banks and other financial institutions	21	311,106	385,451
Placements from banks and other financial institutions	22	12,143	13,551
Financial liabilities at fair value through profit or loss		8,506	4,259
Derivative financial liabilities	5	4,037	2,662
Repurchase agreements	23	11,000	22,568
Customer deposits	24	1,733,921	1,533,183
Employee benefits payable	25	10,351	7,961
Tax payable	26	6,571	5,794
Accounts payable	27	44	1,883
Interest payable	28	23,253	25,229
Bonds payable	29	212,963	41,750
Provisions		26	25
Other liabilities	30	8,677	8,440
Total liabilities		2,345,649	2,055,510
SHAREHOLDERS'EQUITY			
Share capital	31	14,309	11,425
Capital reserve	32	59,326	52,270
Other comprehensive income	46	(1,117)	(1,851)
Surplus reserve	33	8,521	6,334
General reserve	34	27,528	19,115
Undistributed profit	35	52,933	43,656
TOTAL SHAREHOLDERS' EQUITY		161,500	130,949
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,507,149	2,186,459

The accompanying notes form an integral part of these financial statements.

The financial statements have been signed by:

Legal representative	Sun Jianyi	President	Shao Ping
Accounting manager	Han Xu		

Income Statement

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

	Note III	2015	2014
I.Operating income			
Interest income	36	131,649	119,202
Interest expense	36	(65,550)	(66,156)
Net interest income	36	66,099	53,046
Fee and commission income	37	29,185	19,706
Fee and commission expense	37	(2,740)	(2,328)
Net fee and commission income	37	26,445	17,378
Investment income	38	3,924	3,168
of which: Share of profits of associates		46	28
Net losses from changes in fair values	39	107	(10)
Net foreign exchange differences	40	(573)	(388)
Other operating income	41	161	213
Total operating income		96,163	73,407
II.Operating costs			
Business tax and surcharge	42	(6,671)	(5,482)
Business and administrative expenses	43	(30,112)	(26,668)
Total operating costs		(36,783)	(32,150)
III.Operating profit before impairment losses on assets		59,380	41,257
Impairment losses on assets	44	(30,485)	(15,011)
IV.Operating profit		28,895	26,246
Add: Non-operating income		40	40
Less: Non-operating expenses		(89)	(92)
V.Profit before tax		28,846	26,194
Less: Income tax expense	45	(6,981)	(6,392)
VI.Net Profit		21,865	19,802

	Note III	2015	2014
VII.Other comprehensive income for the year			
To be reclassified into profit or loss in subsequent periods	46	734	586
1. Share of other comprehensive income of investees accounted for using the equity method		6	(9)
2.Changes in fair value of Available-for-sale financial assets		728	595
VIII.Total comprehensive income for the year		22,599	20,388
IX.Earnings per share			
Basic earnings per share (Renminbi Yuan, restated)	47	1.56	1.44
Diluted earnings per share (Renminbi Yuan, restated)	47	1.56	1.44

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015

(All amounts in RMB millions unless otherwise stated)

2015	Note III	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total shareholders' equity
I.As at 1 January 2015		11,425	52,270	(1,851)	6,334	19,115	43,656	130,949
II.Movements in the year								
(i)Net profit		-	-	-	-	-	21,865	21,865
(ii)Other comprehensive income	46	-	-	734	-	-	-	734
Total comprehensive income		-	-	734	-	-	21,865	22,599
(iii)Capital contribution by shareholders	31	599	9,341	-	-	-	-	9,940
(iv)Profit appropriation								
1.Appropriation to surplus reserve	33	-	-	-	2,187	-	(2,187)	-
2.Appropriation to general reserve	34	-	-	-	-	8,413	(8,413)	-
3.Cash dividends	35	-	-	-	-	-	(1,988)	(1,988)
(v)Transfer from capital surplus to paid-in capital	31	2,285	(2,285)	-	-	-	-	-
III.As at 31 December 2015		14,309	59,326	(1,117)	8,521	27,528	52,933	161,500

The accompanying notes form an integral part of these financial statements.

2014	Note III	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total shareholders' equity
I.As at 1 January 2014		9,521	54,171	(2,437)	4,354	16,509	29,963	112,081
II.Movements in the year								
(i)Net profit		-	-	-	-	-	19,802	19,802
(ii)Other comprehensive income		-	-	586	-	-	-	586
Total comprehensive income		-	-	586	-	-	19,802	20,388
(iii)Profit appropriation								
1.Appropriation to surplus reserve		-	-	-	1,980	-	(1,980)	-
2.Appropriation to general reserve		-	-	-	-	2,606	(2,606)	-
3.Cash dividends		-	-	-	-	-	(1,523)	(1,523)
(iv)Transfer from capital surplus to share capital		1,904	(1,904)	-	-	-	-	-
(v)Others		-	3	-	-	-	-	3
As at 31 December 2014		11,425	52,270	(1,851)	6,334	19,115	43,656	130,949

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

	Note III	2015	2014
I.CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase of deposits from central bank		235	453
Net increase in customer deposits and placements of deposits from other financial institutions		125,000	250,529
Net decrease in placements with banks and other financial institutions		-	4,010
Net decrease in reverse repurchase agreements		90,042	72,564
Net decrease in accounts receivable		3,301	-
Cash receipts from interest and fee and commission income		130,849	109,205
Cash receipts relating to other operating activities	49	12,317	4,115
Subtotal of cash inflows from operating activities		361,744	440,876
Net increase in amounts due from the Central Bank and placements of deposits with other financial institutions		(5,472)	(70,215)
Net increase in loans and advances		(216,255)	(186,583)
Net increase in placements with banks and other financial institutions		(1,728)	-
Net decrease in placements from banks and other financial institutions		(1,408)	(9,082)
Net decrease in repurchase agreements		(11,571)	(13,519)
Net increase in accounts receivable		-	(2,867)
Net decrease in accounts payable		(1,839)	(266)
Cash payments for interest and fee and commission expenses		(63,320)	(58,532)
Cash payments for salaries and staff expenses		(12,871)	(12,175)
Cash payments for taxes		(15,106)	(12,991)
Cash payments relating to other operating activities	50	(34,000)	(49,325)
Subtotal of cash outflows from operating activities		(363,570)	(415,555)
Net cash flows generated from operating activities		(1,826)	25,321

	Note III	2015	2014
II.CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from investments upon disposal/maturity		732,920	391,968
Cash receipts from investment income		26,588	24,351
Cash receipts from disposal of fixed assets and investment properties		-	7
Subtotal of cash inflows from investing activities		759,508	416,326
Cash payments for investments		(852,200)	(466,974)
Cash payments for fixed assets, intangible assets, construction in progress and leasehold improvements		(3,534)	(3,835)
Subtotal of cash outflows from investing activities		(855,734)	(470,809)
Net cash flows used in investing activities		(96,226)	(54,483)
III.CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from equity issued		9,940	-
Cash receipts from bonds issued		370,796	52,005
Cash receipts from other financing activities		-	3
Subtotal of cash inflows from financing activities		380,736	52,008
Cash payments for principal of bonds		(203,210)	(18,800)
Cash payments for bond interest		(1,361)	(496)
Cash payments for dividend and profit appropriation		(1,988)	(1,523)
Subtotal of cash outflows from financing activities		(206,559)	(20,819)
Net cash flows generated from financing activities		174,177	31,189
IV.EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1,760	325
V.NET INCREASE IN CASH AND CASH EQUIVALENTS		77,885	2,352
Add: Cash and cash equivalents at beginning of the year		183,456	181,104
VI.CASH AND CASH EQUIVALENTS AT END OF THE YEAR	48	261,341	183,456

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

SUPPLEMENTARY INFORMATION	Note III	2015	2014
1.Adjustments for net profit to cash flows generated from operating activities:			
Net Profit		21,865	19,802
Adjust for:			
Impairment losses on assets		30,485	15,011
Interests related to unwinding of discounts of provisions for impaired financial assets		(406)	(313)
Depreciation of investment properties		6	6
Depreciation of fixed assets		725	628
Amortisation of intangible assets		623	631
Amortisation of long term deferred expenses		423	332
Net losses from disposal of fixed assets and investment properties		9	1
Losses/(Gains) from changes in fair values of financial instruments		972	(237)
Gains from changes in fair values of foreign exchange derivatives		(1,043)	(412)
Interest on investment securities and investment income		(27,061)	(22,182)
Increase in deferred tax assets		(2,137)	(2,626)
Interest paid on bonds		5,485	1,657
Increase in operating receivables		(148,886)	(228,745)
Increase in operating payables		117,113	241,762
Increase in provisions		1	6
Net cash flows generated from operating activities		(1,826)	25,321
2.Net increase in cash and cash equivalents:			
Cash at end of the year	48	4,119	4,159
Less:Cash at beginning of the year		(4,159)	(3,731)
Add:Cash equivalents at end of the year	48	257,222	179,297
Less:Cash equivalents at beginning of the year		(179,297)	(177,373)
Net increase in cash and cash equivalents		77,885	2,352

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

I. GENERAL INFORMATION

Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.) (hereafter referred to as the "Company") was established in the People's Republic of China (the "PRC") as a result of the restructuring of six agricultural credit co-operatives into a joint stock commercial bank with limited liability. The Company was established on 22 December 1987 after the initial public offering of its RMB ordinary shares on 10 May 1987. The Company was listed on the Shenzhen Stock Exchange on 3 April 1991 and the stock code is 000001.

Board resolutions on "Proposal of SDB on the Scheme of Merger of the Controlling Subsidiary Ping An Bank Co., Ltd. through Absorption" and "Proposal of SDB on Signing the Absorption Merger Agreement with Ping An Bank Co., Ltd." signed between the Company and the former Ping An Bank Company Limited (hereafter referred to as "Former Ping An Bank") were approved during the first extraordinary general meeting held on 9 February 2012. The absorption and merger plan had been approved by the China Banking Regulatory Commission in accordance with "China Banking Regulatory Commission's Approval of absorption of Ping An Bank Co., Ltd. by Shenzhen Development Bank Co., Ltd."(Yin Jian Fu [2012] No.192).

On 12 June 2012, the Shenzhen Market Supervision and Management Bureau approved Former Ping An Bank's deregistration application. After deregistration of Former Ping An Bank, its branches have become the Company's branches. The Company is the surviving company and shall be in accordance with laws inherit all assets, liabilities, certificates, licences, businesses, personnel and all rights and obligations of Former Ping An Bank. In July 2012, as approved by the China Banking Regulatory Commission (the "CBRC") in accordance with "China Banking Regulatory Commission on the approval for the renaming of Shenzhen Development Bank" (Yin Jian Fu [2012] No.397), the Chinese name of the Company, being "深圳发展银行股份有限公司" has been changed to "平安银行股份有限公司". The English name of "Shenzhen Development Bank Co., Ltd." has been changed to "Ping An Bank Co., Ltd.".

The registered office of the Company is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, the PRC. Headquartered in Shenzhen, the Company operates its business in Mainland China. The institution number of the Company on the 00386413 approval document issued by the China Banking Regulatory Commission is B0014H144030001. The business licence number of the Company issued by the Shenzhen Municipal Administration of Industry and Commerce is 440301103098545.

The Company is principally engaged in authorised commercial activities. The Company's ultimate holding company is Ping An Insurance (Company) Company of China, Ltd.

The financial statements were approved and authorised for issue by the Board of Directors on 9 March 2016.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The critical accounting estimates and key judgements applied are based on the Company's operation features, which mainly included accounting policies related to financial instruments and revenue recognition.

The areas involving a higher degree of judgements, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note II.38.

1. Basis of preparation

The financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises — Basic Standard" and a number of specific standards, Implementation Guidance, Interpretations and other relevant regulations (hereafter collectively referred to as "ASBEs"), issued by the Ministry of Finance, PRC (hereafter referred to as the "MOF") in and after February 15,2006 and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

2. Statement of compliance

The financial statements have been prepared in accordance with China Accounting Standards (hereafter referred to as the "CAS") and present fairly the financial position of the Company and the Company as at 30 December 2015 and the results of their operation and their cash flows for the year ended 31 December 2015.

3. Accounting year

The accounting year of the Company is from 1 January to 31 December.

4. Functional currency

The Company's functional and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the values are rounded to the nearest million of RMB.

5. Basis of accounting and measurement

The Company's financial statements have been prepared on an accrual basis using the historical cost as the basis of measurement, except for financial assets, financial liabilities and derivative financial instruments held at fair value through profit or loss, available-for-sale financial assets and cash-settled share-based payments that have been measured at fair value. If an asset is impaired, a provision for impairment loss of the asset is recognised in accordance with the relevant requirements.

6. Business combination and consolidated financial statements

Business combination refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into the business combination under common control and the business combination not under common control.

Business combination under common control

Business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under common control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amounts in the combined party on the combining date. As for the difference between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

Business combination not under common control

Business combination not under common control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under common control, the party which obtains the control on other combining enterprise(s) on the acquisition date is the acquirer, and other combining enterprise(s) is (are) the acquiree. The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree.

For the business combination not under common control, the acquirer shall, on the acquisition date, measure the identifiable assets, liabilities and contingent liabilities it obtains from the acquirer in light of their fair values.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. The acquirer shall recognise the positive difference between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. The goodwill upon initial measurement shall be measured on the basis of its costs minus the accumulative impairment provisions. The acquirer shall, pursuant to the following provisions, treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree: (a) It shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; (b) If, after the re-examination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the difference into profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issuance of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

The consolidated financial statements are prepared on the basis of where control is achieved, including the Company and all its subsidiaries (including the structured entities).

Subsidiaries are the entities controlled by the Company. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company begins to consolidate the subsidiaries at the date when control is achieved, and stops to consolidate the investees at the date when control is lost.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Business combination and consolidated financial statements(continued)

Business combination not under common control(continued)

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual arrangements.

No significant difference exists between consolidated financial statements and the Company's standalone financial statements.

7. Foreign currency translation

The Company translates the amount of foreign currency transactions into its functional currency.

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the spot exchange rate at the balance sheet date. All exchange differences are recognised in the income statement in "Net foreign exchange differences". Foreign currency non-monetary items measured at historical cost continue to be translated at the spot exchange rates at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined. All exchange differences are recognised in the income statement in "Net foreign exchange differences" or "Other comprehensive income". When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

8. Precious metals

The Company's precious metals represent gold. Precious metals that are not related to the Company's precious metal trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Company for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the income statement.

9. Reverse repurchase and repurchase agreements

Assets sold under agreements to repurchase at a specific future date are not derecognised from the balance sheet. The corresponding proceeds are recognised on the balance sheet under "Repurchase agreements". The difference between the sale price and the repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Conversely, assets purchased under agreements to resell at a specific future date are not recognised on the balance sheet. The corresponding cost is recognised on the balance sheet under "Reverse repurchase agreements". The difference between the purchase price and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

10. Financial assets

The Company classifies its financial assets into four categories:

(i)financial assets at fair value through profit or loss, including trading financial assets and financial assets designated at fair value through profit or loss;

(ii)held-to-maturity investments;

(iii)loans and receivables; and

(iv)available-for-sale financial assets.

The classification of financial assets depends on the Company's intention and ability to hold the financial assets. When financial assets are recognised initially, they are measured at fair value. In the case of a financial asset at fair value through profit or loss, transaction costs are charged to the income statement. For other financial assets, transaction costs are included in their initial recognition amounts.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss by management upon initial recognition. Financial assets classified as held for trading include those financial assets that meet one of the following conditions: 1) they are acquired principally for the purpose of selling in the near term; 2) they are part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short term profit-taking; or 3) they are derivative instruments unless they are designated as effective hedging instruments. After initial recognition, these financial assets are measured at their fair values. All related realised and unrealised gains or losses are included in the income statement. Of which, changes in fair value are recognised in "Gains or losses from changes in fair values" and interest earned is accrued in interest income according to the terms of the contract.

A financial asset or financial liability may be designated, on initial recognition, as at fair value through profit or loss only when one of the following conditions is met:

(i)the designation eliminates or significantly reduces a measurement or recognition inconsistency of the related gains or losses that would otherwise result from measuring assets or liabilities on a different basis.

(ii)a company of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis, and the information about the company is reported on that basis to the Company's key management personnel. Formal documentation has been prepared with respect to such risk management or investment strategy.

(iii)a hybrid instrument embedded with derivatives, unless the embedded derivative does not significantly modify the cash flows of the hybrid instrument, or it is clear that a separation of the hybrid instrument from the embedded derivative is prohibited.

(iv)the hybrid instrument is embedded with derivatives which are required to be separately accounted for but where it is impossible to make an independent measurement when it is obtained or subsequently on the balance sheet date.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. **Financial assets**(continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process. If the Company has, during the current financial period, sold or reclassified (to available-for-sale financial assets) items of held-to-maturity investments, whose amount is significant in relation to the total amount of the held-to-maturity investments before the sale or reclassification, the Company shall reclassify the remaining portion of the held-to-maturity investments as available-for-sale investments, and the Company shall not again classify any financial assets as held-to-maturity investments in the current and the next two financial years. However, sales or reclassifications under the following circumstances are exceptions to the above:

(i)sales or reclassifications are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

(ii)sales or reclassifications of the remaining portion of the financial asset occur after the Company has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; Or

(iii)sales or reclassifications are attributable to an isolated event that is beyond the Company's control and is non-recurring and could not have been reasonably anticipated by the Company.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated on initial recognition as available for sale or those financial assets that are not classified as other categories. After the initial recognition, available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate. Gains or losses arising from a change in the fair value of available-for-sale financial assets are recognised directly in "other comprehensive income", except for impairment losses and foreign exchange gains and losses resulting from monetary financial assets, until the financial assets are derecognised, at which time the cumulative gains or losses previously recognised into the income statement in "Investment income".

Where the Company has the positive intention and ability to hold the investments to maturity, available-for-sale financial assets are reclassified to Held-to-maturity investments.

The cost or carrying value of a reclassified financial asset is its fair value at date of reclassification. The effective interest rate of the reclassified held-to-maturity investments is determined at date of reclassification. The unrealised profit or loss relating to the financial assets and previously recognised into shareholders' equity is amortised into profit or loss within the remaining periods using the effective interest method. Any difference between the carrying value of the financial assets and the maturity amounts is also amortised into profit or loss within the remaining periods using the effective interest method. If any impairment occurs in the subsequent periods, the unrealised profit or loss relating to the financial assets and previously recognised into shareholders' equity is transferred into profit or loss.

11. Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is evidence of impairment of the financial asset or a company of financial assets (other than those at fair value through profit or loss) as a result of one or more events that occurred after the initial recognition of those assets (an incurred "loss event") and whether that loss event has an impact on the estimated future cash flows of the financial asset or a company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a company of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The amount of reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate and includes the value of any related collateral.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a company of financial assets with similar credit risk characteristics and that company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Future cash flows of a company of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the company. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that does not affect the year on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company.

If, subsequent to the recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Impairment of financial assets(continued)

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, the cumulative loss arising from the decline in fair value that had been recognised directly in owners' equity shall be removed from owners' equity and recognised in the income statement in "Impairment losses on assets". The amount of the accumulated losses that is removed from owners' equity shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where objective evidence of impairment exists. For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Company considers quantitative and qualitative evidence. More specifically, the Company collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Company considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Company generally considers a decline of 50% or more as significant, and a period of 12 months or longer as prolonged. The Company conducts individual inspection on each available-for-sale equity instrument investment at balance sheet date. If the fair value of the available-for-sale equity instrument is less than its initial investment cost for more than 50% (inclusive) or less than its initial investment cost continually for more than 1 year (including one year), it means impairment incurred; if the fair value of the available-for-sale equity instrument is less than its initial investment cost for more than 20% (inclusive) but has not reached 50%, the Company will comprehensively consider other factors such as price volatility to determine whether the equity instrument investment has been impaired.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement. Impairment losses recognised for an investment in an equity instrument classified as available for sale shall not be reversed through the income statement.

When an impairment loss on available-for-sale financial assets carried at amortised cost has occurred, the amount of loss is provided for at the difference between the assets' carrying amount and the present value of its estimated future cash flows, and is recognised in the income statement. An impairment loss on an equity investment classified as available-for-sale equity investment, and carried at cost, is not reversed.

12. Financial liabilities

The Company classifies its financial liabilities into financial liabilities at fair value through profit or loss, financial guarantee contracts, deposits and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss by management upon initial recognition. The Company classifies its financial liabilities at fair value through profit or loss into financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss by management upon initial recognition. Changes in fair value are recognised in "Gains or losses from changes in fair values" and interest incurred is accrued in interest expense according to the terms of the contract.

Other financial liabilities

Except for financial liabilities at fair value through profit or loss and financial guarantee contracts, deposits and other financial liabilities are subsequently measured at amortised cost using the effective interest method.

13. Recognition and derecognition of financial instruments

Recognition of financial instruments

A financial asset or a financial liability is recognised when the Company becomes a party to the contractual provisions of the financial instrument.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. To the extent practical market observable inputs and data are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using unobservable inputs.

Derecognition of financial assets

The Company transfers a financial asset in one of the following ways:

(i)the Company transfers the contractual rights to receive the cash flows of the financial asset to another party; or

(ii)the Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient(s) in an arrangement that meets all of the following conditions:

• the Company's obligation to pay amounts to the eventual recipient(s) arises only when it has collected equivalent amounts from the original financial asset. Short term advances by the Company with the right of full recovery of the amount lent plus accrued interest at market rates for bank loans of equivalent terms do not violate this condition;

• the Company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipient(s) for the obligation to pay them cash flows;

• the Company has an obligation to remit any cash flows it collects on behalf of the eventual recipient(s) without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the intervening period between two consecutive payments, which are invested in accordance with the terms of the contract. Income earned on such investments (i.e., reinvesting the cash flows according to the terms of the contract) is passed to the eventual recipient(s) according to the contract terms.

When the Company transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the financial asset is derecognised. When the Company retains substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised.

When the Company transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the financial asset is derecognised. When the Company retains substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognised. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows: when the Company has not retained control of the financial asset, the financial asset is derecognised; when the Company has retained control of the financial asset, the financial asset is recognised to the extent of the Company's continuing involvement in the transferred financial asset and an associated liability is recognised.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Recognition and derecognition of financial instruments(continued)

Derecognition of financial assets(continued)

A financial asset is derecognised when one of the following conditions is met:

(i)the contractual rights to the cash flows from the financial asset expire; or

(ii)the financial asset has been transferred and the transfer qualifies for derecognition as set out below.

Derecognition of financial liabilities

A financial liability is derecognised when the underlying present obligation is performed, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss for the year.

14. Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss for the year.

Certain derivative transactions, while providing effective economic hedges under the Company's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss for the year.

15. Long term equity investments

Long term equity investments include the investments in subsidiaries and associates.

Subsidiaries are the entities controlled by the Company. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Company has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. Associates are the investees that the Company has significant influence on their financial and operating policies.

A long term equity investment is measured initially at its investment cost. For the business combination under common control, it shall, on the date of merger, regard the share of the carrying value of the shareholders' equity of the acquiree as the initial cost of the long term equity investment. Investment acquired in business combination not under common control is measured initially at its combination costs. The combination costs include the total sum of the fair value of the assets transferred from the acquirer, liabilities incurred or born by the acquirer and securities with equity interest issued by the acquirer. Besides the long term equity investments formed by the merger of enterprises, the initial cost of a long term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows: (1) The initial cost of a long term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long term equity investment, taxes and other necessary expenses. (2) The initial cost of a long term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. (3) The initial cost of a long term equity investment of an investor shall be the value stipulated in the investment contract or agreement unless the value stipulated in the contract or agreement is unfair.

When the Company can exercise joint control or significant influence over the investee, a long term equity investment is accounted for using the equity method. Joint control refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties unanimously agree to share the power upon the important financial and operating strategies pertaining to a particular economic activity. Significant control refers to the power to participate in the decision making of the financial and operating strategies of the enterprise, but cannot control or jointly control the implementation of these strategies.

Under the equity method, when the initial investment cost of a long term equity investment exceeds the Company's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. When initial investment cost is less than the Company's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long term equity investment is adjusted accordingly.

Under the equity method, after acquiring a long term equity investment, the Company recognises its share of the net profits or losses made by the investee as investment income or losses, and adjusts the carrying amount of the investment accordingly. After an investing enterprise obtains a long term equity investment, it shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognise the investment profits or losses and adjust the book value of the long term equity investment. The Company discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Company has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Company continues recognising the investment losses and the provisions. The Company shall adjust the carrying amount of the long term investment for other changes in owners' equity of the investee (other than net profits or losses), and include the corresponding adjustment in shareholders' equity. The investing enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long term equity investment correspondingly. The unrealised profits or losses arising from the intra-group transactions amongst the Company and its investees are eliminated in proportion to the Company's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Company and its investees attributable to asset impairment, any unrealised loss is not eliminated.

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in the income statement in "Investment income". For a long term equity investment accounted for using the equity method, is transferred to the income statement in "Investment income" on a pro-rata basis according to the proportion disposed of.

For the method of impairment test and impairment provision of long term equity investments in subsidiaries and associates, please refer to Note II.21.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Company are buildings that are leased out and the corresponding land use rights. No investment properties shall be recognised, unless the economic benefits pertinent to these investment properties are likely to flow into the Company and can be reliably measured.

The initial measurement of the investment properties shall be made at cost, and shall make a follow-up measurement to the investment properties through the cost pattern on the date of the balance sheet. Depreciation of investment properties is calculated using the straight-line method.

	Useful life	Estimated net residual value	Annual depreciation rate
Properties and buildings	15-35 years	1%-5%	2.7%-6.6%

17. Fixed assets and accumulated depreciation

(i) Recognition of fixed assets

A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

Subsequent expenditures incurred for a fixed asset that meet the above conditions are included in the cost of the fixed asset and the carrying amount of the parts that are replaced is derecognised. Otherwise, subsequent expenditures are recognised in the income statement in the period in which they are incurred.

(ii) Measurement and depreciation of fixed assets

Fixed assets are initially measured at cost. All fixed assets are stated at cost less any accumulated depreciation and any impairment losses. The cost of an asset comprises the purchase price, related taxes, and any directly attributable expenditure of bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and professional fees.

Depreciation is calculated using the straight-line method. The Company reasonably determines the useful lives and estimated net residual values of the fixed assets according to the natures and use patterns of the fixed assets as follows:

	Useful life	Estimated net residual value	Annual depreciation rate
Properties and buildings			
Including: properties and buildings	15-35 years	1%-5%	2.7%-6.6%
Including: owner-occupied property improvements	5 or 10 years	-	20.0% or 10.0%
Transportation vehicles	5-8 years	3%-5%	11.8%-19.4%
Office facilities	3-10 years	1%-5%	9.5% -33.0%

The useful life and estimated net residual value of a fixed asset and the depreciation method applied are reviewed at each balance sheet date, and adjusted prospectively, if appropriate

18. Construction in progress

Construction in progress represents costs incurred in the construction of fixed assets. These costs include various construction costs which are necessary and other related expense during the period of construction. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of fixed assets, intangible assets or long term deferred expenses when completed and ready for use. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

19. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Company.

An intangible asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognised as an intangible asset and shall be measured in light of its fair value. The Company analyses and assesses the useful life of an intangible asset on its acquisition. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company.

An intangible asset with definite useful life is amortised over its useful life with the straight-line method.

	Useful life	Annual depreciation rate
Software and others	3-5 years	20%-33%
Core deposits	20 years	5%

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Intangible assets(continued)

The useful life and amortisation method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortisation method differs significantly from previous assessments, the amortisation period or amortisation method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each balance sheet date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

Expenditure incurred for an internal research and development project is recorded as expenditure on the research phase and development phase by the Company, respectively. Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is recognised as an intangible asset only when the Company can demonstrate all of the following:

(i)The technical feasibility of completing the intangible asset so that it will be available for use or sale;

(ii)The intention to complete the intangible asset and use or sell it;

(iii)How the intangible asset will generate economic benefits. Among other things, the enterprise can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(iv)The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; And

(v)Its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Expenditure on the development phase which does not meet all of the above conditions is recognised in profit or loss in the period in which it is incurred.

20. Long term deferred expenses

Long term deferred expenses are those prepaid expenses with an amortisation period of more than one year (excluding one year), mainly include rental expenses and leasehold improvements.

Rental expenses are operating lease rental of fixed assets and are amortised over the lease term. Other long term deferred expenses are amortised evenly according to their beneficial periods or legal periods of validity, whichever is shorter.

When long term deferred expenses no longer provide future economic benefits, the unamortised amount is recognised in profit or loss for the year.

21. Impairment of assets

For assets excluding financial assets and repossessed assets, the Company assesses impairment of assets as follows:

At each balance sheet date, the Company assesses whether there is any indication that assets may be impaired. If there is any indication that an asset may be impaired, a recoverable amount is estimated for the asset. No matter whether there is any sign of possible asset impairment, the goodwill formed by the business combination and intangible assets with uncertain service lives shall be subject to impairment testing every year. Intangible assets not yet available for use shall be subject to impairment testing every year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount of an asset on an individual basis.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognised as the loss of asset impairment and be recorded as profit or loss for the current period. Simultaneously, a provision for asset impairment shall be made accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or companies of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or company of units to which the goodwill is so allocated shall not be larger than an operating segment as defined by the Company.

When making an impairment test on the relevant asset companies or combination of asset companies including goodwill, whenever there is an indication that the unit may be impaired, impairment loss shall be recognised by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount. Then the Company shall make an impairment test of the asset companies or combinations of asset companies by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount is lower than its carrying value, the amount of the impairment loss shall be allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Once an impairment loss is recognised, it shall not be reversed in a subsequent period.

22. Repossessed assets

Repossessed assets are initially recognised at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is taken into the income statement. At the balance sheet date, the repossessed assets are measured at the lower of their carrying value and net realisable value. When the carrying value of the repossessed assets is higher than the net realisable value, a provision for the decline in value of repossessed assets is recognised in the income statement in "Impairment losses on assets".

23. Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Recognition of income and expense(continued)

Interest income and interest expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available for sale and held for trading, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not the future credit losses.

Once the recorded value of a financial asset or a company of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(i)Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

(ii)Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The fair value of the award credits granted by the Company to the bank card holders under customer loyalty programmes are deferred and recognised as fee and commission income when the award credits are redeemed or expire.

Dividend income

Revenue is recognized when the shareholders' right to receive the payment is established.

24. Income tax

Income tax comprises current and deferred income tax. Except for goodwill arising in a business combination and to the extent that the tax arises from a transaction or event which is recognised directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss as appropriate.

Current income tax

Current tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, as well as on temporary differences arising from the tax bases and carrying amounts that have not recognised as an asset or liability on the balance sheet but can be determined as the tax calculation basis.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i)Where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss; and

(ii)In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

For deductible temporary differences, carry forward of unused deductible losses and tax credits, the Company recognises the corresponding deferred tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss.

For deductible temporary differences arising from investments in subsidiaries and associates, the corresponding deferred income tax asset is recognised, to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available in the future, against which the temporary differences can be utilised.

At the balance sheet date, deferred tax assets and liabilities of the Company are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirement of tax laws.

At the balance sheet date, the Company reviews the carrying amount of a deferred tax asset. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilised. At the balance sheet date, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow part or full of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

II.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Employee benefits

Employee benefits mainly include short term employee benefits, post-employment benefits, termination benefits, and other long-term benefits incurred in exchange for service rendered by employees or in exchange for the termination of an employee's employment.

Short term employee benefits

The short-term employee benefits include salaries, bonuses paid within 12 months, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds and education funds, short-term paid absence, etc.. Short-term employee benefits are recognised in the period in which the related service is provided by the employee as a liability (after deducting any amount already paid), and an expense or the cost of an asset. Non-monetary benefits are measured at fair value.

Post-employment benefits

The post-employment benefits include both defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into an independent fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans. In the reporting period, defined contribution plans constitute the major part of post-employment benefits, including basic endowment insurance, unemployment insurance and other fixed contribution retirement insurance plans.

Basic endowment insurance

The Company's employees participate in the basic endowment insurance plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic endowment insurance are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic endowment insurance to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period.

Early retirement benefits

Early retirement benefits are provided to certain local employees, and its accounting treatment mirrors the accounting treatment of termination benefits. When all the criteria are met, liability is recognised in terms of the social insurance payable from the early retirement date to the normal retirement date, and charge into profit or loss. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred. There are no capital injections into the early retirement benefits. The cost of benefits is determined by using the projected unit credit actuarial valuation method.

26. Definition of cash equivalents

Cash equivalents are short term, highly liquid monetary assets held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash equivalents comprise investments that have a short maturity of generally within three months when acquired, the unrestricted balance with the Central Bank, amounts due from banks and other financial institutions and reverse repurchase agreements that have a short original maturity of generally within three months.

27. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party

28. Fiduciary activities

Where the Company acts in a fiduciary capacity such as nominee, trustee or agent, assets arising there on together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Company on behalf of third-party lenders are recorded as off-balance sheet items. The Company acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Company has been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Company charges a commission related to the management of the entrusted loans. The commission income is recognised pro rata over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

29. Leases

A lease that transfers in substance all the risks and rewards incident to ownership of an asset is classified as a finance lease. An operating lease is a lease other than a finance lease.

As a lessee under operating leases

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to profit or loss for the year.

As a lessor under operating leases

Lease income from operating leases is recognised by the lessor in profit or loss for the year on a straight-line basis over the lease term.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Segment Information

The Company identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Company that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Company. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

31. Financial guarantee contracts

The Company gives financial guarantees consisting of letters of credit, guarantees, and acceptances. Financial guarantee contracts are initially recognised at fair value, in "Other liabilities", being the premium received. The guarantee fee is amortised over the period of the contract and is recognised as fee and commission income. At balance sheet days, the Company's liability under each guarantee contract is measured at the higher of the initial fair value less cumulative amortisation, and the best estimate of expenditure required to settling any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is taken to profit or loss for the year.

32. Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

33. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied except for contingent consideration and contingent liabilities assumed in the business combination:

(i)the obligation is a present obligation of the Company;

(ii)it is probable that an outflow of economic benefits will be required to settle the obligation; and

(iii)the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. The Company reviews the carrying amount of a provision at the balance sheet date. When there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

34. Trade date accounting

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date on which the Company commits to purchase or sell the asset. A regular way purchase or sale of financial assets is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

35. Offsetting

Financial assets and financial liabilities are offset only when the Company has a legally enforceable right to offset the recognised amounts and both parties of the transaction intend to settle on a net basis.

36. Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

37. Debt restructuring

Debt restructuring represents the consensus made by the creditor in accordance with the agreement with the debtor or based on the court order, when the debtor is in financial difficulty.

As a creditor, the difference between the carrying amounts of the debts and the cash receipts is recognised in profit or loss for the year if cash is received from discharging the debts. The difference between the carrying amounts of the debts and the fair value of the non-monetary assets is recognised in profit or loss for the year if non-monetary assets are received from discharging the debts. The difference between the carrying amounts of the debts and the fair value of the interests in share capital is recognised in profit or loss for the year if capital is exchanged in discharging the debts. The difference between the carrying amounts of the debts and the fair value of the debts after restructuring based on agreed terms and conditions is recognised in profit or loss for the year if terms and conditions are amended. If all of the above are applied, the disposals should be based on the sequential order of the cash received, the fair value of the non-monetary assets received, the fair value of the interests in share capital received less the carrying amounts of the debts, and finally settlement of debts based on terms and conditions agreed.

If provision has been made to the debts under restructuring, the difference resulting from the above is offset against the provision with the net change recognised in profit or loss for the year.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

38. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, uncertainty of these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

(i)Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and a fixed maturity are classified as held-to-maturity investments when the Company has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as held-to-maturity investment, significant management judgement is required. If the Company fails to correctly assess its intention and ability to hold the investments to maturity and the Company sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Company shall classify the whole held-to-maturity investment portfolio as available for sale.

(ii)Impairment losses of investment of loans, advances and receivables

The Company determines periodically whether there is any objective evidence that an impairment loss on investment of loans, advances and receivables has been incurred. If any such evidence exists, the Company assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Regarding loan portfolio assets with similar credit risk character and objective impairment evidence, the management use historical loss experience of the assets as basis of assessing future cash flows of the loan portfolios. Assessing the amount of impairment losses requires significant judgement on whether objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

(iii)Income taxes

Determining income tax provisions requires the Company to estimate the future tax treatment of certain transactions. The Company carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimates on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

(iv)Control over structured entities

Where the Company acts as asset manager of structure entities, the Company makes judgement on whether it is the principal or an agent to assess whether the Company controls the structured entities and should consolidate them. When performing this assessment, the Company considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Company's exposure to variability of returns from other interests that it holds in the structured entities. The Company performs re-assessment periodically.

For the unconsolidated structured entities that the Company has interest in or provides liquidity support to, disclosures are shown in Note III. 51.

(v)Fair value of financial instruments

If the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, the valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both the Company's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(vi)Impairment of available-for-sale and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses on available-for-sale and held-to-maturity investments have been incurred, the Company assesses periodically whether there has been a significant or prolonged decline in the fair value of the investment below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology, operating and financing cash flows, etc. This requires a significant level of judgement of management, which would affect the amount of impairment losses.

(vii)Impairment of goodwill

The goodwill shall be subject to an impairment test at least at each year end, and whenever there is an indication that the unit may be impaired. When an enterprise makes an impairment test of assets, it shall, as of the purchasing day, allocate the carrying value of the goodwill formed by merger of enterprises to the relevant asset companies by a reasonable method, and apply the appropriate discount rate for the calculation of the present value of future cash flows.

(viii)Core deposits

The Company reviews the reasonableness of core deposits' remaining useful life on each balance sheet date. The review involves making necessary adjustments on relevant parameters and assumptions based on the actual development of relevant fact patterns, so as to amortise the core deposits over an appropriate remaining useful life.

39. Taxes

Major taxes and related tax rates applicable to the Company are as follows:

Tax	Basis of tax assessment	Tax rate
Business Tax	Business income (not including interest income from transactions with financial institutions)	5%
City Maintenance and Construction Tax	Amount of business tax	5% - 7%
Corporate Income Tax	Amount of taxable income	25%

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash on hand and due from the Central Bank

	31 December 2015	31 December 2014
Cash on hand	4,119	4,159
Statutory reserve with the Central Bank - RMB	231,512	244,744
Statutory reserve with the Central Bank - foreign currencies	5,540	6,221
Unrestricted balance with the Central Bank	46,910	49,238
Other deposits with the Central Bank - fiscal deposits	3,634	1,936
Total	291,715	306,298

Based on the related RMB and foreign currency deposits, the Company places respective statutory reserves with the Central Bank in accordance with the requirements from the People's Bank of China. These reserve deposits are not available for use in the Company's daily operations. As at 31 December 2015, the RMB deposit reserve ratio was 15% (31 December 2014: 18%), and the foreign currency deposit reserve ratio was 5% (31 December 2014: 5%).

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the Central Bank according to the relevant regulations.

2. Deposits with banks and other financial institutions

Summarized by location and counterparty

	31 December 2015	31 December 2014
Domestic banks	89,771	51,235
Other domestic financial institutions	2,057	3,025
Overseas banks	17,137	12,775
Other overseas financial institutions	146	-
Subtotal	109,111	67,035
Less: Impairment provision (Note III.20)	(65)	(66)
Total	109,046	66,969

As at 31 December 2015, included in this total amount of deposits with banks and other financial institutions was an amount of RMB32 million (31 December 2014: RMB32 million) of impaired assets.

3. Placements with banks and other financial institutions

Summarized by location and counterparty

	31 December 2015	31 December 2014
Domestic banks	60,058	32,284
Other domestic financial institutions	565	2,157
Overseas banks	16,037	11,424
Subtotal	76,660	45,865
Less: Impairment provision (Note III.20)	(24)	(24)
Total	76,636	45,841

As at 31 December 2015, included in this total amount of placements with banks and other financial institutions was an amount of RMB28 million (31 December 2014: RMB27 million) impaired assets.

4. Financial assets at fair value through profit or loss

	31 December 2015	31 December 2014
Bonds held for trading (bond investments Summarised by issuer)		
Governments	646	426
Policy banks	5,351	4,602
Other banks and non-bank financial institutions	5,873	4,583
Corporations	7,887	16,200
Total bonds held for trading	19,757	25,811

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Derivative financial instruments

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Company uses derivative financial instruments such as forward contracts and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Company but does not reflect the risk.

The fair value is the price obtained from selling an asset or paid for transferring a liability in an orderly transaction among market participants on measurement date.

	Notional amounts with remaining lives of					Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Assets	Liabilities
31 December 2015							
Foreign exchange derivative instruments:							
Foreign exchange forward and swap contracts and options	393,837	279,259	3,848	872	677,816	2,709	(1,493)
Interest rate derivative instruments:							
Interest rate swap contracts	130,471	348,563	161,294	-	640,328	1,317	(1,340)
Precious metals derivative instruments and others:	124,124	13,270	2,327	-	139,721	4,118	(1,204)
Total	648,432	641,092	167,469	872	1,457,865	8,144	(4,037)

	Notional amounts with remaining lives of					Fair value	
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total	Assets	Liabilities
31 December 2014							
Foreign exchange derivative instruments:							
Foreign exchange forward and swap contracts and options	276,423	214,304	3,673	441	494,841	1,921	(1,783)
Interest rate derivative instruments:							
Interest rate swap contracts	147,000	193,176	110,694	-	450,870	506	(565)
Precious metals derivative instruments and others:	11,462	27,437	536	-	39,435	1,873	(314)
Total	434,885	434,917	114,903	441	985,146	4,300	(2,662)

As at 31 December 2015 and 31 December 2014, no derivatives were designated as hedging instruments.

6. Reverse repurchase agreements

(a) Summarized by counterparty

	31 December 2015	31 December 2014
Banks	116,176	178,309
Non-bank financial institutions	1,122	355
Subtotal	117,298	178,664
Less: Impairment provision (Note III.20)	(7)	(28)
Total	117,291	178,636

As at 31 December 2015, included in this total amount of reverse repurchase agreements was an amount of RMB10 million (31 December 2014: RMB32 million) of impaired assets.

(b) Summarized by collateral

	31 December 2015	31 December 2014
Bonds	67,505	2,832
Bills	14,248	50,807
Beneficial right of trust	35,334	124,702
Receivables under finance leases	211	323
Subtotal	117,298	178,664
Less: Impairment provision (Note III.20)	(7)	(28)
Total	117,291	178,636

7. Accounts receivable

	31 December 2015	31 December 2014
Receivables under factoring	6,580	9,925
Others	44	-
Total	6,624	9,925

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Interest receivable

	1 January 2015	Increase during the year	Collection during the year	31 December 2015
2015				
Interest receivable on bond investments and wealth management products	5,066	31,672	(30,647)	6,091
Interest receivable on loans and amounts due from other financial institutions	6,871	101,218	(100,640)	7,449
Total	11,937	132,890	(131,287)	13,540

	1 January 2014	Increase during the year	Collection during the year	31 December 2014
2014				
Interest receivable on bond investments and wealth management products	6,034	25,929	(26,897)	5,066
Interest receivable on loans and amounts due from other financial institutions	4,009	91,930	(89,068)	6,871
Total	10,043	117,859	(115,965)	11,937

As at 31 December 2015, included in the interest receivable was an amount of RMB497 million (31 December 2014: RMB245 million) that is past due. Such interest receivable is related to interest income on loans and is aged within 90 days.

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances

9.1 Summarized by corporation and individual

	2015-12-31	2014-12-31
Loans and advances to corporations:		
Loans	761,331	627,326
Discounted bills	13,665	12,413
Subtotal	774,996	639,739
Loans and advances to individuals:		
Business loans	107,429	116,875
Credit cards	147,740	102,899
Property mortgages	45,967	55,365
Car loans	78,635	65,495
Others	61,371	44,361
Subtotal	441,142	384,995
Total loans and advances	1,216,138	1,024,734
Less: Loan impairment provision (Note III.9.6)	(29,266)	(21,097)
Loans and advances, net	1,186,872	1,003,637

As at 31 December 2015, there were no discounted bills (31 December 2014: RMB194 million) that had been pledged for repurchase agreements collateralised by bills.

As at 31 December 2015, there were RMB3,001 million discounted bills (31 December 2014: RMB2,709 million) that had been pledged for amounts due to the Central Bank.

Notes to the Financial Statements

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. **Loans and advances** (continued)

9.2 **Analysed by industry**

	31 December 2015	31 December 2014
Agriculture, husbandry and fisheries	14,197	5,260
Extraction (heavy industry)	65,599	41,340
Manufacturing (light industry)	161,075	142,876
Energy	16,472	8,874
Transportation, storage and communication	29,037	25,491
Commercial	150,909	151,532
Real estate	132,735	98,855
Service, technology, culture and sanitary industries	86,415	64,894
Construction	50,420	43,576
Discounted bills	13,665	12,413
Loans and advances to individuals	441,142	384,995
Others	54,472	44,628
Total loans and advances	1,216,138	1,024,734
Less: Loan impairment provision (Note III.9.6)	(29,266)	(21,097)
Loans and advances, net	1,186,872	1,003,637

9.3 Summarized by type of collateral held or other credit enhancements

	31 December 2015	31 December 2014
Unsecured	349,528	276,321
Guaranteed	230,430	191,561
Secured by collateral	622,515	544,439
Of which:Secured by mortgages	439,798	383,843
Secured by monetary assets	182,717	160,596
Subtotal	1,202,473	1,012,321
Discounted bills	13,665	12,413
Total loans and advances	1,216,138	1,024,734
Less: Loan impairment provision (Note III.9.6)	(29,266)	(21,097)
Loans and advances, net	1,186,872	1,003,637

9.4 Aging analysis of past due loans

	31 December 2015				
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	Total
Unsecured	7,092	7,120	709	18	14,939
Guaranteed	6,082	6,681	3,734	104	16,601
Secured by collateral	10,228	7,521	7,242	896	25,887
Of which:Secured by mortgages	7,499	5,332	4,510	766	18,107
Secured by monetary assets	2,729	2,189	2,732	130	7,780
Total	23,402	21,322	11,685	1,018	57,427

(All amounts in RMB millions unless otherwise stated)

III.NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and advances(continued)

9.4 Aging analysis of past due loans (continued)

	31 December 2014				
	Overdue by 1 to 90 days, inclusive	Overdue by 90 days to 1 year, inclusive	Overdue by 1 to 3 years, inclusive	Overdue by more than 3 years	Total
Unsecured	4,899	4,420	721	-	10,040
Guaranteed	3,087	4,584	1,931	11	9,613
Secured by collateral	8,711	9,601	7,904	126	26,342
Of which:Secured by mortgages	6,227	6,931	6,014	126	19,298
Secured by monetary assets	2,484	2,670	1,890	-	7,044
Total	16,697	18,605	10,556	137	45,995

Overdue loans refer to the loans with either principal or interest being overdue by one day or more. For the overdue loans presented above, loans and advances to customers repayable by instalments, the total amount of loans is deemed overdue if part of the instalments is overdue.

For loans repaid on an instalment basis, only the amount which is not repaid upon maturity (not the total amount of loans and advances) is deemed overdue. As at 31 December 2015, there were RMB55,243 million loans (31 December 2014: RMB43,739 million) that had been deemed overdue according to this criterion.

9.5 Summarized by geographical region

	31 December 2015	31 December 2014
Eastern District	364,616	312,713
Southern District	246,702	250,483
Western District	171,371	123,455
Northern District	222,427	184,213
Head office	211,022	153,870
Total loans and advances	1,216,138	1,024,734
Less: Loan impairment provision (Note III.9.6)	(29,266)	(21,097)
Loans and advances, net	1,186,872	1,003,637

Details of the above geographical regions:

Eastern District: Shanghai branch, Hangzhou branch, Yiwu branch, Taizhou branch, Shaoxing branch, Ningbo branch, Wenzhou branch, Nanjing branch, Wuxi branch, Changzhou branch, Suzhou branch, Nantong branch, Fuzhou branch, Zhangzhou branch, Fujian Pilot Free Trade Zone Fuzhou branch, Xiamen branch, Fujian Pilot Free Trade Zone Xiamen branch, Quanzhou branch, Shanghai Pilot Free Trade Zone branch;

Southern District: Shenzhen branch, Guangzhou branch, Guangdong Pilot Free Trade Zone Nansha branch, Zhuhai branch, Guangdong Pilot Free Trade Zone Hengqin branch, Foshan branch, Dongguan branch, Huizhou branch, Zhongshan branch, Haikou branch, Changsha branch;

Western District: Chongqing branch, Chengdu branch, Leshan branch, Kunming branch, Honghe branch, Wuhan branch, Jingzhou branch, Xiangyang branch, Xi'an branch;

Northern District: Beijing branch, Dalian branch, Tianjin branch, Tianjin Pilot Free Trade Zone branch, Jinan branch, Linyi branch, Weifang branch, Dongying branch, Qingdao branch, Yantai branch, Zhengzhou branch, Luoyang branch, Shenyang branch, Shijiazhuang branch, Taiyuan branch;

Head office:The departments of head office (including credit card department, financial institution department, capital operation department, asset management department, offshore department, etc.)

9.6 Movements in impairment provision for loans and advances

	2015			2014		
	Individual	Collective	Total	Individual	Collective	Total
Balance at beginning of the year	2,191	18,906	21,097	1,933	13,229	15,162
Charge/(reversal) for the year	14,252	15,615	29,867	5,640	8,974	14,614
Amounts written off	(14,620)	(8,963)	(23,583)	(5,420)	(3,674)	(9,094)
Recovery of loans written off previously	1,789	595	2,384	353	386	739
Interest accrued on impaired loans and advances	(406)	-	(406)	(313)	-	(313)
Other changes for the year	(17)	(76)	(93)	(2)	(9)	(11)
Balance at end of the year (Note III.20)	3,189	26,077	29,266	2,191	18,906	21,097

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Available-for-sale financial assets

	31 December 2015	31 December 2014
Measured at the fair value		
Available-for-sale bonds	555	1,042
Available-for-sale equity instruments	842	601
Subtotal	1,397	1,643
Less: Impairment provision (Note III.20)	(152)	(150)
Total	1,245	1,493

10.1 Available-for-sale financial assets Summarised by relevant information:

Available-for-sale financial assets measured at the fair value:

	31 December 2015	31 December 2014
Available-for-sale bonds		
Fair value	516	1,005
Amortised cost	548	1,037
Charged to other comprehensive income	7	5
Total impairment provisions	(39)	(37)
Available-for-sale equity instruments		
Fair value	729	488
Amortised cost	605	597
Charged to other comprehensive income	237	4
Total impairment provisions	(113)	(113)
Total		
Fair value	1,245	1,493
Amortised cost	1,153	1,634
Charged to other comprehensive income	244	9
Total impairment provisions	(152)	(150)

10.2 Available-for-sale financial assets Summarized by impairment provisions:

2015	Bonds	Equity instruments	Total
1 January 2015	37	113	150
Accrual for the year	-	-	-
Decrease for the year	-	-	-
Other changes	2	-	2
31 December 2015	39	113	152

As 31 December 2015, there was not any included in the bond investments (31 December 2014: Nil) that had been pledged.

As at 31 December 2015, included in this total amount of available-for-sale financial assets was an amount of RMB152 million (31 December 2014: RMB150 million) of impaired assets.

11. Held-to-maturity investments

	31 December 2015	31 December 2014
Bond investments Summarised by issuer:		
Governments	144,651	76,414
Policy banks	96,200	100,979
Other banks and non-bank financial institutions	3,500	2,068
Corporations	21,815	28,415
Subtotal	266,166	207,876
Less: Impairment provision (Note III.20)	-	(2)
Total	266,166	207,874

In 2013, bonds with fair value of RMB91,675 million were reclassified from Available-for-sale financial assets to Held-to-maturity investments to reflect the Company's intention and ability to hold them to maturity. As at 31 December 2015, carrying value for these financial assets was RMB77,356 million (31 December 2014: RMB88,294 million) and fair value is RMB79,130 million (31 December 2014: RMB87,850 million). If the reclassification had not been made, an incremental gain due to fair value of RMB2,218 million(2014: RMB4,428 million) would have been charged to other comprehensive income for the period. Reversal of other comprehensive income booked before the reclassification day for the period is RMB724 million(2014: RMB791 million).

As at 31 December 2015, included in the bond investments was RMB11,030 million (31 December 2014: RMB22,840 million) that had been pledged for repurchase agreements. As at 31 December 2015, included in the bond investments was RMB31,311 million (31 December 2014: RMB36,268 million) that had been pledged for agreements of time deposits from the PBOC. As at 31 December 2015, there was not any included in the bond investments (31 December 2014: Nil) that had been pledged for amounts due to the Central Bank agreements.

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Receivables

	31 December 2015	31 December 2014
Wealth management products issued by other banks	15,691	64,011
Right to yields of asset management plan/asset management plans (Note 1)	268,760	167,142
Right to yields of trust/trust plan	9,726	15,376
Local government bonds	14,077	-
Asset-backed-securities from asset securitisation	196	79
Subtotal	308,450	246,608
Less: Impairment provision (Note III.20)	(815)	(350)
Total	307,635	246,258

As at 31 December 2015, included in the bond investments was RMB3,179 million (31 December 2014: Nil) that had been pledged for agreements of time deposits from the PBOC.

Note 1: Asset management plans refers to the plans where the Company makes the investment and are sponsored and managed by nonbanking financial institutions Underlying assets in such asset management plan mainly comprise corporate loans, notes, deposit receipt and wealth products issued by other banks.

13. Long term equity investments

2015									
Name of investee	Cost of investment	Balance at beginning of the year	Movements	Balance at end of the year	Percentage of equity held by the Company (%)	Percentage of voting right held by the Company (%)	Provision transferred out during the year	Impairment provision at end of the year (Note IV.20)	Net balance at end of the year
Associate									
Chengdu Gongtou Assets Management Co., Ltd.	260	506	35	541	33.20%	33.20%	-	(20)	521
Total	260	506	35	541			-	(20)	521

2014									
Name of investee	Cost of investment	Balance at beginning of the year	Movements	Balance at end of the year	Percentage of equity held by the Company (%)	Percentage of voting right held by the Company (%)	Provision transferred out during the year	Impairment provision at end of the year (Note IV.20)	Net balance at end of the year
Associate									
Chengdu Gongtou Assets Management Co., Ltd.	260	505	1	506	33.20%	33.20%	-	(20)	486
Total	260	505	1	506			-	(20)	486

There is no restriction on sale of the long term equity investments held by the Company.

The movement in impairment provisions for long term equity investments is as follows:

	1 January 2015	Charge for the year	Amounts transferred out during the year	31 December 2015
2015				
Chengdu Gongtou Assets Management Co., Ltd.	20	-	-	20

	1 January 2014	Charge for the year	Amounts transferred out during the year	31 December 2014
2014				
Chengdu Gongtou Assets Management Co., Ltd.	20	-	-	20

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Long term equity investments (continued)

The movements of long term equity investments in the associates during the year are as follows:

2015	Cost of investment	Balance at beginning of the year	Movements in the year: Share of profit for the year (Note 2)	Movements in the year: Movement in other comprehensive income	Movements in the year: Cash dividend received	Movements in the year: Amounts transferred out	Impairment provision: Amounts transferred out	Impairment provision: Accumulated balance	Balance at end of the year
Chengdu Gongtou Assets Management Co., Ltd. (Note 1)	260	486	46	6	(17)	-	-	(20)	521

2014	Cost of investment	Balance at beginning of the year	Movements in the year: Share of profit for the year	Movements in the year: Movement in other comprehensive income	Movements in the year: Cash dividend received	Movements in the year: Amounts transferred out	Impairment provision: Amounts transferred out	Impairment provision: Accumulated balance	Balance at end of the year
Chengdu Gongtou Assets Management Co., Ltd. (Note 1)	260	485	28	(9)	(18)	-	-	(20)	486

Note 1: On 30 January 2008, the Company obtained 33.2% of the shareholding of Chengdu Gongtou Assets Management Co., Ltd. as repossessed assets.

Note 2: When share the investee's net profit and other comprehensive income, have considered the Company's accounting policies and identifiable assets and liabilities.

14. Investment properties

	2015	2014
At cost:		
Balance at beginning of the year	251	274
Transfer from construction in progress	105	-
Transfer to Fixed assets-net	-	(10)
Transfer from fixed assets - net	6	-
Decrease in the year	-	(13)
Balance at end of the year	362	251
Accumulated depreciation		
Balance at beginning of the year	141	158
Accrual of the year	6	6
Transfer out to fixed assets during the year	-	(17)
Transfer from fixed assets during the year	3	-
Decrease in the year	-	(6)
Balance at end of the year	150	141
Net book value:		
Balance at end of the year	212	110
Balance at beginning of the year	110	116

As at 31 December 2015, included in the investment properties was an amount of RMB4 million (31 December 2014: about RMB5 million), of which the corresponding registration certificates of property rights have not been obtained.

The gross rental income earned from the investment properties during the year amounted to RMB40 million (2014: RMB36 million). The total direct operating expense (including repairs and maintenance expenses) for the investment properties, with or without rental income generated during the year, was RMB1 million (2014: RMB2 million).

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Fixed assets

At cost:	Properties and buildings	Transportation vehicles	Offices facilities and computers	Total
2015				
1 January 2015	3,701	134	4,052	7,887
Additions	162	12	728	902
Transfer out to investment properties during the year	(6)	-	-	(6)
Transfer from construction in progress	772	-	39	811
Decrease in the year	(6)	(3)	(282)	(291)
31 December 2015	4,623	143	4,537	9,303
Accumulated depreciation:				
1 January 2015	1,611	68	2,396	4,075
Additions	175	14	536	725
Transfer out to investment properties during the year	(3)	-	-	(3)
Decrease in the year	(3)	(2)	(277)	(282)
31 December 2015	1,780	80	2,655	4,515
Net book value:				
31 December 2015	2,843	63	1,882	4,788
31 December 2014	2,090	66	1,656	3,812

At cost:	Properties and buildings	Transportation vehicles	Offices facilities and computers	Total
2014				
1 January 2014	3,731	124	3,457	7,312
Additions	16	27	741	784
Transfer out to investment properties during the year	10	-	-	10
Transfer from construction in progress	11	-	5	16
Decrease in the year	(67)	(17)	(151)	(235)
31 December 2014	3,701	134	4,052	7,887
Accumulated depreciation:				
1 January 2014	1,478	71	2,069	3,618
Additions	147	13	468	628
Transfer out to investment properties during the year	17	-	-	17
Decrease in the year	(31)	(16)	(141)	(188)
31 December 2014	1,611	68	2,396	4,075
Net book value:				
31 December 2014	2,090	66	1,656	3,812
31 December 2013	2,253	53	1,388	3,694

As at 31 December 2015, the original cost of RMB97 million (31 December 2014: RMB105 million) and net book value of RMB38 million (31 December 2014: RMB46 million) of properties and buildings are in use by the Company without having the registration certificates of property rights.

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Intangible assets

2015	Core deposits (Note)	Software	Others	Total
Cost/valuation:				
1 January 2015	5,757	1,841	7	7,605
Addition	-	283	-	283
Transfer from construction in progress	-	8	-	8
31 December 2015	5,757	2,132	7	7,896
Amortisation:				
1 January 2015	1,008	1,302	2	2,312
Amortisation during the year	288	334	1	623
31 December 2015	1,296	1,636	3	2,935
Net book value:				
31 December 2015	4,461	496	4	4,961
31 December 2014	4,749	539	5	5,293

2014	Core deposits (Note)	Software	Others	Total
Cost/valuation:				
1 January 2014	5,757	1,383	4	7,144
Addition	-	288	3	291
Transfer from construction in progress	-	171	-	171
Decrease for the year	-	(1)	-	(1)
31 December 2014	5,757	1,841	7	7,605
Amortisation:				
1 January 2014	720	960	1	1,681
Amortisation during the year	288	342	1	631
31 December 2014	1,008	1,302	2	2,312
Net book value:				
31 December 2014	4,749	539	5	5,293
31 December 2013	5,037	423	3	5,463

Note:Core deposits are accounts that a financial institution expects to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflects the use of the deposits at a lower cost alternative source of funding.

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Goodwill

2015	1 January 2015	Additions	Subtraction	31 December 2015	Impairment provision
Former Ping An Bank	7,568	-	-	7,568	-

2014	1 January 2014	Additions	Subtraction	31 December 2014	Impairment provision
Former Ping An Bank	7,568	-	-	7,568	-

Former Ping An Bank was acquired by the Company in July 2011 and the goodwill acquired from this business combination amounted to RMB7,568 million. The goodwill acquired from the business combination was allocated to the eastern district, southern district, western district and northern district and credit card centre cash-generating units for impairment test.

The recoverable amounts of the cash-generating units were determined based on the present value of the expected future cash flows of the cash-generating units. The expected future cash flows were determined based on the expected cash flows from the 5 years' budget plan as approved by management. The cash flows beyond the 5 years' period were extrapolated based on the long term average growth rates within the operating geographic locations and industries of the cash-generating units. The pre-tax discounted rate used to discount the cash flows reflected the specific risk associated with the cash-generating units. The discount rate for future cash flow is 13.78%(31 December 2014: 13.63%)

18. Deferred tax assets/liabilities

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

	31 December 2015		31 December 2014	
	Deductible/ (Taxable) Temporary difference	Deferred income tax asset / (liability)	Deductible/ (Taxable) Temporary difference	Deferred income tax asset / (liability)
Deferred income tax assets				
Impairment provisions	33,929	8,482	21,313	5,328
Salaries and bonuses	4,515	1,129	7,265	1,817
Changes in fair value of financial assets at fair value through profit or loss	1,532	383	2,501	626
Accrued expenses and provisions	317	79	1,474	368
Subtotal	40,293	10,073	32,553	8,139
Deferred income tax liabilities				
Changes in fair value of financial liabilities at fair value through profit or loss	(468)	(117)	(426)	(107)
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(4,578)	(1,144)	(4,793)	(1,198)
Others	(334)	(84)	-	-
Subtotal	(5,380)	(1,345)	(5,219)	(1,305)
Net amount	34,913	8,728	27,334	6,834

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Deferred tax assets/liabilities (continued)

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below(continued):

2015	1 January 2015	Recognised in profit or loss (Note III.45)	Recognised in other comprehensive income (Note III.46)	31 December 2015
Deferred income tax assets				
Impairment provisions	5,328	3,154	-	8,482
Salaries and bonuses	1,817	(688)	-	1,129
Changes in fair value of financial assets at fair value through profit or loss	626	-	(243)	383
Changes in fair value of available-for-sale financial assets	368	(289)	-	79
Subtotal	8,139	2,177	(243)	10,073
Deferred income tax liabilities				
Changes in fair value of financial liabilities at fair value through profit or loss	(107)	(10)	-	(117)
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(1,198)	54	-	(1,144)
Others	-	(84)	-	(84)
Subtotal	(1,305)	(40)	-	(1,345)
Net amount	6,834	2,137	(243)	8,728

2014	1 January 2014	Recognised in profit or loss (Note III.45)	Recognised in other comprehensive income (Note III.46)	31 December 2014
Deferred income tax assets				
Impairment provisions	3,097	2,231	-	5,328
Salaries and bonuses	1,351	466	-	1,817
Changes in fair value of financial assets at fair value through profit or loss	56	(56)	-	-
Changes in fair value of financial assets at fair value through profit or loss	824	-	(198)	626
Accrued expenses and provisions	317	51	-	368
Subtotal	5,645	2,692	(198)	8,139
Deferred income tax liabilities				
Changes in fair value of financial liabilities at fair value through profit or loss	-	(107)	-	(107)
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(1,239)	41	-	(1,198)
Subtotal	(1,239)	(66)	-	(1,305)
Net amount	4,406	2,626	(198)	6,834

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Other assets

(a) Summarized by nature

	31 December 2015	31 December 2014
Prepayments (Note III.19b)	840	789
Deposit of litigation fees (Note III.19c)	319	237
Fees receivable	1,794	690
Repossessed assets (Note III.19d)	3,200	1,513
Construction in progress (Note III.19e)	3,618	2,793
Long term deferred expenses (Note III.19f)	1,365	1,188
Others (Note III.19g)	1,383	1,476
Total other assets	12,519	8,686
Less: Impairment provisions:		
Deposit of litigation fees (Note III.19c)	(105)	(97)
Repossessed assets (Note III.19d)	(212)	(198)
Others (Note III.19g)	(246)	(268)
Total impairment provisions	(563)	(563)
Net amount	11,956	8,123

(b) Prepayments by aging

	31 December 2015		31 December 2014	
	Amount	Percentage(%)	Amount	Percentage(%)
Less than 1 year	590	70.24%	563	71.36%
1 to 2 years	71	8.45%	106	13.43%
2 to 3 years	67	7.98%	49	6.21%
Over 3 years	112	13.33%	71	9.00%
Total	840	100.00%	789	100.00%

As at 31 December 2015 and 31 December 2014, the Company has not made any provision for prepayments.

(c) Deposit of litigation fees

	31 December 2015				31 December 2014			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Individual assessment	250	78.37%	(55)	22.00%	183	77.22%	(54)	29.51%
Collective assessment:								
Less than 1 year	44	13.79%	(25)	56.82%	31	13.08%	(21)	67.74%
1 to 2 years	10	3.13%	(10)	100.00%	10	4.22%	(9)	90.00%
2 to 3 years	8	2.51%	(8)	100.00%	9	3.80%	(9)	100.00%
Over 3 years	7	2.20%	(7)	100.00%	4	1.68%	(4)	100.00%
Subtotal	69	21.63%	(50)	72.46%	54	22.78%	(43)	79.63%
Total	319	100.00%	(105)	32.92%	237	100.00%	(97)	40.93%

(d) Repossessed assets

	31 December 2015	31 December 2014
Land use right and buildings	3,154	1,444
Others	46	69
Total	3,200	1,513
Less: Impairment provisions (Note III.20)	(212)	(198)
Net amount	2,988	1,315

During the year, the Company took possession of collateral held as security with a carrying amount of RMB1,865 million (2014: RMB784 million). The collateral mainly comprises buildings. During the year, the Company disposed debt assets of RMB178 million (2014: RMB79 million). The Company plans to dispose of the repossessed assets through auctions, bidding or transfers in the future.

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. **Other assets** (continued)

(e) Construction in progress

	2015	2014
Balance at beginning of the year	**2,793**	707
Additions in the year	**1,979**	2,379
Transfer to investment properties	**(105)**	-
Transfer to fixed assets	**(811)**	(16)
Transfer to intangible assets	**(8)**	(171)
Transfer to long term deferred expenses	**(230)**	(106)
Total	**3,618**	2,793

Construction in progress of the Company is listed as follows:

2015	Budget	Balance at beginning of the year	Additions in the year	Transferred out in the year	Balance at end of the year	Stag of Completion
Guangzhou branch Office	2,088	1,163	832	-	1,995	96%
Qingdao Jinling Square	950	653	283	(84)	852	99%
Chongqing branch Office	468	-	229	-	229	49%
Dalian Xingtianyue	401	194	77	-	271	68%
Others	-	783	558	(1,070)	271	
Total		2,793	1,979	(1,154)	3,618	

(f) Long term deferred expenses

	2015	2014
Balance at beginning of the year	**1,188**	988
Additions in the year	**372**	427
Transfer from construction in progress	**230**	106
Amortisation during the year	**(423)**	(332)
Other decrease during the year	**(2)**	(1)
Total	**1,365**	1,188

(g) Others

	31 December 2015				31 December 2014			
	Carrying amount		Impairment provision		Carrying amount		Impairment provision	
	Amount	Percentage	Amount	Coverage	Amount	Percentage	Amount	Coverage
Individual assessment	1,071	77.44%	(221)	20.63%	1,167	79.07%	(239)	20.48%
Collective assessment:								
Less than 1 year	267	19.30%	(7)	2.62%	253	17.14%	(13)	5.14%
1 to 2 years	31	2.24%	(7)	22.58%	32	2.17%	(4)	12.50%
2 to 3 years	7	0.51%	(4)	57.14%	21	1.42%	(9)	42.86%
Over 3 years	7	0.51%	(7)	100.00%	3	0.20%	(3)	100.00%
Subtotal	312	22.56%	(25)	8.01%	309	20.93%	(29)	9.39%
Total	1,383	100.00%	(246)	17.79%	1,476	100.00%	(268)	18.16%

Notes to the Financial Statements

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Impairment losses on assets

2015	Note III	1 January 2015	Charge/ (reversal) for the year (Note III.44)	Amounts written off	Recovery of assets written off previously	Amounts released upon disposal of assets	Interest accrued on impaired loans and advances	Other movements	31 December 2015
Impairment provision for deposits with banks and other financial institutions	2	66	(2)	-	-	-	-	1	65
Impairment provision for placements with banks and other financial institutions	3	24	-	-	-	-	-	-	24
Impairment provision for reverse repurchase agreements	6	28	(1)	(20)	-	-	-	-	7
Impairment provision for loans and advances	9.6	21,097	29,867	(10,009)	2,384	(13,574)	(406)	(93)	29,266
Impairment provision for available-for-sale financial assets	10	150	-	-	-	-	-	2	152
Impairment provision for held-to-maturity investments	11	2	(2)	-	-	-	-	-	-
Impairment provision for receivables	12	350	465	-	-	-	-	-	815
Impairment provision for long term equity investments	13	20	-	-	-	-	-	-	20
Impairment provision for repossessed assets	19(d)	198	35	-	-	(21)	-	-	212
Impairment provision for others		365	123	(29)	2	(78)	-	3	386
Total		22,300	30,485	(10,058)	2,386	(13,673)	(406)	(87)	30,947

2014	1January 2014	Charge/ (reversal) for the year	Amounts written off	Recovery of assets written off previously	Amounts released upon disposal of assets	Interest accrued on impaired loans and advances	Other movements	31 December 2014
Impairment provision for deposits with banks and other financial institutions	51	15	-	-	-	-	-	66
Impairment provision for placements with banks and other financial institutions	23	-	-	-	-	-	1	24
Impairment provision for reverse repurchase agreements	35	(7)	-	-	-	-	-	28
Impairment provision for loans and advances	15,162	14,614	(6,664)	739	(2,430)	(313)	(11)	21,097
Impairment provision for available-for-sale financial assets	149	-	-	-	-	-	1	150
Impairment provision for held-to-maturity investments	1	1	-	-	-	-	-	2
Impairment provision for Receivables	-	350	-	-	-	-	-	350
Impairment provision for long term equity investments	20	-	-	-	-	-	-	20
Impairment provision for repossessed assets	204	(4)	(2)	-	-	-	-	198
Impairment provision for other assets	456	42	(117)	1	(18)	-	1	365
Total	16,101	15,011	(6,783)	740	(2,448)	(313)	(8)	22,300

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Deposits from banks and other financial institutions

	31 December 2015	31 December 2014
Domestic banks	58,874	152,014
Domestic non-bank financial institutions	244,072	217,399
Overseas banks	8,160	16,037
Overseas non-bank financial institutions	-	1
Total	311,106	385,451

22. Placements from banks and other financial institutions

	31 December 2015	31 December 2014
Domestic banks	8,187	7,778
Domestic other financial institution	-	2,000
Overseas banks	3,956	3,773
Total	12,143	13,551

23. Repurchase agreements

	31 December 2015	31 December 2014
(a)Summarized by collateral		
Securities	11,000	22,369
Bills	-	199
Total	11,000	22,568
(b)Summarized by counterparty		
Banks	7,000	20,670
Non-bank financial institutions	4,000	1,898
Total	11,000	22,568

24. Customer deposits

	31 December 2015	31 December 2014
Current deposits:		
Corporate customers	407,795	288,534
Personal customers	140,760	116,806
Subtotal	548,555	405,340
Fixed deposits:		
Corporate customers	657,565	622,740
Personal customers	113,423	112,707
Subtotal	770,988	735,447
Guarantee deposits	334,691	321,045
Fiscal deposits	42,477	37,189
Time deposits from PBOC	30,422	31,460
Inward and outward remittances	6,788	2,702
Total	1,733,921	1,533,183

25. Employee benefits payable

	31 December 2015	31 December 2014
Short term employee benefits payable (a)	10,233	7,838
Defined contribution plans and defined benefit plans payable (b)	103	97
Termination benefits payable (c)	15	26
	10,351	7,961

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Employee benefits payable (continued)

(a) Short term employee benefits

2015	1 January 2015	Increase during the year	Payment made during the year	31 December 2015
Salaries, bonuses, allowances and subsidies	7,265	12,198	(9,887)	9,576
Including: Deferred bonus	308	137	(88)	357
Social insurance, supplementary pension contributions and staff welfare	478	1,290	(1,209)	559
Housing funds	-	610	(610)	-
Labour union and training expenses	95	335	(332)	98
Others	-	31	(31)	-
Total	7,838	14,464	(12,069)	10,233

2014	1 January 2014	Increase during the year	Payment made during the year	31 December 2014
Salaries, bonuses, allowances and subsidies	5,403	11,626	(9,764)	7,265
Including: Deferred bonus	202	156	(50)	308
Social insurance, supplementary pension contributions and staff welfare	427	991	(940)	478
Housing funds	-	513	(513)	-
Labour union and training expenses	56	293	(254)	95
Others	-	44	(44)	-
Total	5,886	13,467	(11,515)	7,838

(b) Defined contribution plans and Defined benefit plans

2013	31 December 2014	Increase during the year	Payment made during the year	31 December 2015
Basic endowment insurance	46	752	(749)	49
Unemployment insurance	2	43	(42)	3
Defined benefit plans	49	6	(4)	51
	97	801	(795)	103

(c) Termination benefits payable

	31 December 2015	31 December 2014
Termination benefits payable	15	26

26. Tax payable

	31 December 2015	31 December 2014
Corporate income tax	4,778	4,219
Business tax and surcharges	1,618	1,409
Others	175	166
Total	6,571	5,794

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Accounts payable

	31 December 2015	31 December 2014
Payables under factoring	-	1,883
Others	44	-
Total	44	1,883

28. Interest payable

2015	1 January 2015	Increase during the year	Payment made during the year	31 December 2015
Interest payable for deposits from customers and financial institutions	24,205	58,606	(60,579)	22,232
Interest payable for bonds	1,024	1,358	(1,361)	1,021
Total	25,229	59,964	(61,940)	23,253

2014	1 January 2014	Increase during the year	Payment made during the year	31 December 2014
Interest payable for deposits from customers and financial institutions	16,299	64,110	(56,204)	24,205
Interest payable for bonds	306	1,213	(495)	1,024
Total	16,605	65,323	(56,699)	25,229

29. Bonds payable

	31 December 2015	31 December 2014
Hybrid capital debt instrument (Note 1)	**5,115**	5,114
Tier II capital bonds(Note 2)	**15,000**	15,000
Interbank deposits	**192,848**	21,636
Total	**212,963**	41,750

As at 31 December 2015 and 31 December 2014, the Company did not have any defaults of principal, interest or other breaches with respect to the subordinated bonds and the hybrid capital debt instrument.

Note 1: As approved by the PBOC and CBRC, the Company issued a fixed-rate hybrid capital debt instrument amounting to RMB1.5 billion in the inter-bank market on 26 May 2009. The debt instrument has 15 years to maturity. The Company has the option to redeem the debt instrument at face value on 26 May 2019. The coupon rate for the first 10 years is 5.70%. If the Company does not exercise this option, the coupon rate will increase by 3% thereafter

On 29 April 2011, as approved by the PBOC and the CBRC, the Company issued another fixed-rate hybrid capital debt instrument amounting to RMB3.65 billion in the inter-bank market. The debt instrument has 15 years to maturity with an annual interest rate of 7.5%. The Company has the option to redeem the debt instrument at face value on 29 April 2021.

Note 2: As approved by the PBOC and CBRC, the Company issued tier II capital bonds in the inter-bank market with total amounts of RMB9 billion and 6 billion respectively on 6 March 2014 and 9 April 2014. These subordinated bonds have 10 years to maturity with fixed coupon rates. The Company has the option to redeem these bonds at the end of the fifth year on certain conditions and the coupon rates are 6.8% and 6.5% respectively.

When the triggering event occurs, the Company has the right to irrevocably fully write down the principals of bonds and other tier one capital tools issued in current period, without the consent from bondholders, from the day following the triggering event. Any unpaid accumulated interest payable will no longer be paid. Once the principal of bonds are written down, the bonds are permanently cancelled, no longer be restored in any condition. The triggering event is the earlier of following: (1) if the principals are not written down, the issuer will be prohibited from operating by Chinese Banking Regulatory Commission; (2) if no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by Chinese Banking Regulatory Commission.

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Other liabilities

	31 December 2015	31 December 2014
Settlement & clearing and pending payables	3,048	2,124
Accrued and payable expenses	1,554	1,550
Inactive deposit account balances	305	137
Dividends payable (Note)	12	12
Amounts payable for custody	1,118	2,776
Deferred income	1,295	913
Quality bonds and deposits	322	284
Others	1,023	644
Total	8,677	8,440

Note: As at 31 December 2015 and 31 December 2014, the above-mentioned balance of dividends payable has been outstanding for more than one year as the related shareholders have not collected the dividends.

31.Share capital

As at 31 December 2015, the number of the Company's ordinary shares issued and fully paid was RMB14,309 million, with face value of RMB1 Yuan each. The nature and the structure of the share capital are as follows:

	31 December 2014	Percentage	Movement in the year	31 December 2015	Percentage
I.Restricted tradable shares:					
Domestic non-state-owned corporation shares	1,588	13.90%	917	**2,505**	**17.50%**
II.Unrestricted tradable shares:					
RMB ordinary shares	9,837	86.10%	1,967	**11,804**	**82.50%**
III.Total shares	11,425	100.00%	2,884	**14,309**	**100.00%**

Restricted tradable shares are shares whose holders are restricted to trade due to law, regulations or commitments. The Company's restricted tradable shares mainly consist of private placements to Ping An Insurance (Group) Company of China, Ltd.

The Company passed its profit appropriation resolution for the year of 2014 through the annual general meeting held on 2 April 2015. According to the resolution, the Company distributed RMB1.74 Yuan per 10 shares (inclusive of tax) as cash dividends based on the total shares of 11,425 million as at 31 December 2014; meanwhile, the Company capitalised capital reserve 2 shares upon each 10 shares to all shareholders. The total share capital of the Company before and after the aforementioned distribution is 11,425 million and 13,710 million, respectively. The registration date for the distribution was 10 April 2015, the first marketable date of the non-restricted shares resulted from the distribution was 13 April 2015, and the distribution date for the cash dividends was 13 April 2015.

Pursuant to "Approval of Ping An Bank Co., Ltd. to Non-Public Share offerings"(Zheng Jian Xu Ke [2015]697) issued by China Securities Regulatory Commission, the Company issued, by private placement,599 million A shares on 6 May 2015, with face value and offering price of RMB1 and RMB16.70 per share, respectively. Such private placements shall not be transferred within 36 months since the offering ends, and will be listed in Shenzhen Stock Exchange upon restricted period ends.The funds mentioned above were fully funded on May 6th, 2015, and have already been verified by a domestic accounting firm with a verification report.

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Capital reserve

	31 December 2015	31 December 2014
Share premium (Note)	59,326	52,270

Note 1: In 2015, the Company issued, by private placement, 599 million A shares and achieved share premium of RMB9,341 million.

Note 2 The Company passed its profit appropriation resolution for the year of 2014 through the annual general meeting held on 2 April 2015 (Note III(31)). According to the resolution, the Company capitalised capital reserve 2 shares upon each 10 shares to all shareholders.

33. Surplus reserve

In accordance with the Company Law, the Company is required to appropriate 10% of its profit after tax to its statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital. The Company may also appropriate its profit after tax to the discretionary surplus reserve upon approval of the shareholders in general meetings.

As at 31 December 2015 and 31 December 2014, the amount of the surplus reserve represented the statutory surplus reserve.

34. General reserve

Pursuant to the relevant regulations issued by the MOF, the Company is required to maintain a general reserve within equity, through the appropriation of net profit.

35. Undistributed profit

As approved and authorised for issue by the Board of Directors on 9 March 2016, the Company appropriated RMB2,187 million to the statutory surplus reserve and RMB 8,413 million to general reserve based on net profits of 2015 based on net profits for the year ended 31 December 2015 audited by a domestic certified public accountant. The resolution has not yet obtained the approval of the Annual General Meeting.

According to a resolution at the Board of Directors dated on 12 March 2015, the Company appropriated a percentage of the audited net profit, amounting to RMB1,980 million for the year 2014 to the statutory surplus reserve, and amounting to RMB2,606 million for the year 2014 to the general reserve. The resolution has obtained the approval of the Annual General Meeting dated 2 April 2015.

The Company passed its profit appropriation resolution for the year 2014 through the shareholders' general meeting held on 2 April 2015(Note III 31). According to the resolution, the Company has made appropriation of cash dividends of RMB1,988 million for 2014 to its shareholders.

36.Net interest income

	2015	2014
Interest income:		
Due from the Central Bank	4,206	3,885
Due from financial institutions	12,660	20,422
Of which: Rediscounted bills and reverse repurchase agreements collateralised by bills	7,288	15,601
Loans and advances		
Corporate loans and advances	44,664	37,492
Individual loans and advances	41,063	33,470
Discounted bills	413	308
Interest income on investment securities (excluding financial assets at fair value through profit or loss)	27,023	22,074
Others	372	446
Subtotal	130,401	118,097
Interest income on financial assets at fair value through profit or loss	1,248	1,105
Total	131,649	119,202
Including:Interest income accrued on impaired financial assets	406	313
Interest expense:		
Due to the Central Bank	63	37
Due to financial institutions	17,238	26,911
Of which: Rediscounted bills and repurchase agreements collateralised by bills	3	38
Customer deposits	42,763	37,551
Bonds payable	5,486	1,657
Total	65,550	66,156
Net interest income	66,099	53,046

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37.Net fee and commission income

	2015	2014
Fee and commission income:	1,936	1,544
Settlement fee income	3,421	1,967
Wealth management products related fee income	4,747	2,947
Agency business fee income	9,207	6,780
Bank card fee income	5,250	3,730
Advisory and consulting fee income	164	203
Account management fee income	2,939	1,405
Others	1,521	1,130
Subtotal	29,185	19,706
Fee and commission expenses:		
Agency business fee expenses	352	417
Bank card fee expenses	2,156	1,765
Others	232	146
Subtotal	2,740	2,328
Net fee and commission income	26,445	17,378

39. Investment income

	2015	2014
Net gain on disposal of financial assets designated as at fair value through profit or loss	374	151
Net (loss)/gain on disposal of available-for-sale investments	(14)	70
Share of profits of associates under equity method of accounting	46	28
Net realised gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	63	120
Gain on trading of bills	2,378	2,546
Net gain on trading of precious metals	534	213
Of which: Gain due to fair value changes of trading OTC precious metal	1,355	766
Others	543	40
Total	3,924	3,168

39. Gains of losses on changes in fair values

	2015	2014
Financial instruments held for trading	65	1
Gains/(losses) of derivative financial instruments (excluding foreign exchange derivative financial instruments)	42	(11)
Total	107	(10)

40. Net foreign exchange difference

	2015	2014
Gains from changes in fair values of foreign exchange derivatives	1,043	412
Net foreign exchange differences	(1,616)	(800)
Total	(573)	(388)

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Other operating income

	2015	2014
Rental income	80	65
Others	81	148
Total	161	213

42. Business tax and surcharge

	2015	2014
Business tax	5,926	4,866
City maintenance and construction tax	415	340
Education surcharge	297	243
Others	33	33
Total	6,671	5,482

43. Business and administrative expenses

	2015	2014
Staff expenses:		
Salaries, bonuses, allowances and subsidies	12,198	11,626
Social insurance, supplementary pension contributions and staff welfare	2,087	1,647
Housing funds	610	513
Labor union and education funds	335	293
Others	31	44
Subtotal	15,261	14,123
Depreciation of fixed assets	725	628
Amortisation of leasehold improvements	379	302
Amortisation of intangible assets	623	631
Rental expenses	2,416	1,981
Subtotal	4,143	3,542
General and administrative expenses	10,708	9,003
Total	30,112	26,668

44. Impairment losses on assets

	2015	2014
Charge/(reversal) of impairment losses on:		
Deposits with banks and other financial institutions	(2)	15
Reverse repurchase agreements	(1)	(7)
Loans and advances	29,867	14,614
Held-to-maturity investments	(2)	1
Receivables	465	350
Repossessed assets	35	(4)
Others	123	42
Total	30,485	15,011

45. Income tax expense

	2015	2014
Current income tax		
Provision for the year	9,117	8,990
Adjustments in filing	1	28
Subtotal	9,118	9,018
Deferred income tax	(2,137)	(2,626)
Total	6,981	6,392

The reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the Company's effective income tax rate is as follows:

	2015	2014
Profit before tax	28,846	26,194
Income tax at the statutory rate of 25%	7,212	6,549
Adjustments in filing (Note)	1	28
Non-taxable income	(1,058)	(590)
Non-deductible expenses and other adjustments	826	405
Income tax expense	6,981	6,392

Note: The adjustments in filling have excluded the tax effect of temporary differences.

Notes to the Financial Statements

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Other comprehensive income

	Other comprehensive income in balance sheet		2015's other comprehensive income in income statement			
	31 December 2014	31 December 2015	Amount before tax	Less: previously recognized in other comprehensive income transferred to profit or loss during the period	Less: Income tax	Other comprehensive income after tax
To be reclassified into profit or loss in subsequent periods						
Shares of other comprehensive income under equity method	17	23	6	-	-	6
Gain or loss on changes in fair value of available-for-sale financial assets	(1,868)	(1,140)	238	733	(243)	728
Total	(1,851)	(1,117)	244	733	(243)	734

	Other comprehensive income in balance sheet		2014's Other comprehensive income in income statement			
	31 December 2013	31 December 2014	Amount before tax	Less: previously recognized in other comprehensive income transferred to profit or loss during the period	Less: Income tax	Other comprehensive income after tax
To be reclassified into profit or loss in subsequent periods						
Shares of other comprehensive income under equity method	26	17	(9)	-	-	(9)
Gain or loss on changes in fair value of available-for-sale financial assets	(2,463)	(1,868)	(6)	799	(198)	595
Total	(2,437)	(1,851)	(15)	799	(198)	586

47. Earnings per share

The Company' s basic earnings per share amount are calculated as follows:

	2015	2014 (Restated)
Net profit attributable to common shareholders of the Company	21,865	19,802
Weighted average number of ordinary shares outstanding (in million)	14,059	13,710
Basic earnings per share (RMB Yuan)	1.56	1.44

The statutory surplus reserve has been used to increase the paid in capital for the year 2014 after approval from the Annual General Meeting, which is considered in calculating the above number of ordinary shares in both current and previous periods.

The Company has no potentially dilutive ordinary shares in issue in this year.

48. Cash and cash equivalents

	31 December 2015	31 December 2014
Cash on hand	4,119	4,159
Cash equivalents:		
Within three months before the original maturity date		
-Deposits with banks and other financial institutions ions	51,431	27,042
-Placements with banks and other financial institutions	73,966	44,898
-Reverse repurchase agreements	81,743	53,451
Unrestricted balance with the Central Bank	46,910	49,238
Bond investments (with maturity of less than three months when acquired)	3,172	4,668
Subtotal	257,222	179,297
Total	261,341	183,456

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Cash receipts relating to other operating activities

	2015	2014
Financial instruments held for trading	5,592	-
Collection of amounts already written-off	2,386	721
Cash receipts from disposal of debt assets	143	69
Derivative financial instruments	63	120
Trading of bills	2,378	2,546
Others	1,755	659
Total	12,317	4,115

50. Cash payments relating to other operating activities

	2015	2014
Precious metal	20,988	24,477
Financial instruments held for trading	-	12,801
Administrative expenses such as marketing and public relation expenses, rental expenses and others	13,012	12,047
Total	34,000	49,325

51. Structured entities

(a) Unconsolidated structured entities

(i) Unconsolidated structured entities managed by the Company

(1) Wealth management products

The unconsolidated structured entities managed by the Company are primarily wealth management products (hereafter referred to as the "WMPs") issued and managed by the Company as an agency. On the basis of analysing the potential target group of customers, the Company designs and sells the investment plan to the specific target customer group. The Company distributes the funds and investment income to the investors in accordance with contracts. As the manager of WMPs, the Company charges fees and commissions. The variable return from the WMPs is not significant. As at 31 December 2015, the maximum exposure of unconsolidated WMPs is the commission the WMPs, amounting to RMB642 million (31 December 2014: RMB232 million).

As at 31 December 2015, the total size of unconsolidated WMPs issued and managed by the Company is RMB501,900 million(31 December 2014: RMB165,293 million).

As the manager of WMPs, the Company proactively manages the due date, the position and the proportion of the assets in order to maximise the interest of investors. Temporary placements to WMPs are a commonly used way to manage liquidity risk. The placements may not be specified in the contracts. The transaction price is set by referencing the market interest rate. In 2015, the year-end balance of the placements was RMB31,450 million(2014: RMB28,801 million);; and interest income was RMB352 million(2014: RMB136 million). The placements balance was presented in "Placements with banks and other financial institutions

(2) Asset-backed securitizations

The other type of unconsolidated entity managed by the Company is the Special Purpose Trust (hereafter referred to as the "SPT") established by the third party in order to facilitate the asset-backed securitisations business. The credit assets are transferred from the Company to the SPTs to issue asset-backed securitisations for financing. Performing as the loan service provider, the Company manages the loans in associate with the SPTs and charges fee and commissions. The Company also holds part of all levels of the asset-backed securitisations in SPTs. The variable return from the asset-backed securitisations business is not significant. As at 31 December 2015, the maximum exposure of unconsolidated SPTs is asset-backed securitisations issued by the SPTs and held by the Company, amounting to RMB196 million(31 December 2014: RMB79 million).

As at 31 December 2015 the total size of unconsolidated SPT managed by the company was RMB9,712 million(31 December 2014: RMB44,853 million).

During 2015, the Company did not give financial support to any of these unconsolidated SPTs(2014: Nil).

(All amounts in RMB millions unless otherwise stated)

III. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. **Structured entities** (continued)

(a) Unconsolidated structured entities(continued)

(ii) Unconsolidated structured entities held by the Company

The Company invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return in 2015. These assets include WMPs issued by other banks, Trust beneficial rights, Asset management plans, etc. The Company didn't provide any liquidity support to those unconsolidated structured entities in 2015.

As at 31 December 2015 and 2014, the Company's maximum exposure to these other unconsolidated structured entities (including interest receivables) is summarised in the table below:

	31 December 2015		
	Book Value	Maximum Exposure	Total size of Structured entities
Receivables			
WMPs issued by other banks	15,835	15,835	Note
Trust beneficial rights	9,802	9,802	9,727
Asset management plans	269,913	269,913	268,760
Asset-backed-securities from asset securitisation	196	196	3,882

	31 December 2014		
	Book Value	Maximum Exposure	Total size of Structured entities
Receivables			
WMPs issued by other banks	64,698	64,698	Note
Trust beneficial rights	15,450	15,450	15,376
Asset management plans	167,850	167,850	167,142
Asset-backed-securities from asset securitisation	79	79	2,630

The Company holds these unconsolidated entities and records trading gains or losses and interest income therefrom.

Note : The information of total size of the unconsolidated structured entities listed above is not readily available from the public.

(b) Consolidated structured entities

The Company's consolidated structured entities consist principally of WMPs that issue and distribute WMPs with respect to which the Company has guaranteed the investor's principal investment and/or return upon maturity of the WMP, regardless of its actual performance and SPTs established by the third party in order to facilitate the asset-backed securitisations business. During 2015, the Company did not enter into financial support with any of these WMPs and SPTs(2014:Nil).

IV. OPERATING SEGMENT INFORMATION

The Company is organised into operating segments based on the internal organisation structure, management requirements and internal reporting. The Company mainly manages the operation by way of geographical segments and business segments. Geographically, the Company separately operates five reporting segments, Eastern District, Southern District, Western District, Northern District and Head Office. And in business lines, the Company separately manages the production and operation of five reporting segments, corporate banking, small and medium enterprises, retail banking, inter-banking, and others. The operating segment information is shown in details as follows:

Geographical operating segments

Eastern District: Shanghai branch, Hangzhou branch, Yiwu branch, Taizhou branch, Shaoxing branch, Ningbo branch, Wenzhou branch, Nanjing branch, Wuxi branch, Changzhou branch, Suzhou branch, Nantong branch, Fuzhou branch, Zhangzhou branch, Fujian Pilot Free Trade Zone Fuzhou branch, Xiamen branch, Fujian Pilot Free Trade Zone Xiamen branch, Quanzhou branch, Shanghai Pilot Free Trade Zone branch;

Southern District: Shenzhen branch, Guangzhou branch, Guangdong Pilot Free Trade Zone Nansha branch, Zhuhai branch, Guangdong Pilot Free Trade Zone Hengqin branch, Foshan branch, Dongguan branch, Huizhou branch, Zhongshan branch, Haikou branch, Changsha branch;

Western District: Chongqing branch, Chengdu branch, Leshan branch, Kunming branch, Honghe branch, Wuhan branch, Jingzhou branch, Xiangyang branch, Xi'an branch;

Northern District: Beijing branch, Dalian branch, Tianjin branch, Tianjin Pilot Free Trade Zone branch, Jinan branch, Linyi branch, Weifang branch, Dongying branch, Qingdao branch, Yantai branch, Zhengzhou branch, Luoyang branch, Shenyang branch, Shijiazhuang branch, Taiyuan branch;

Head office:The departments of head office (including credit card department, financial institution department, capital operation department, asset management department, offshore department, etc.)

Management monitors the operating results of the Company's business units separately for the purpose of making decisions about resources allocations and performance assessment. When monitoring operating results of geographic regions, the Company mainly considers operating income, operating costs and operating profit.

(All amounts in RMB millions unless otherwise stated)

IV. OPERATING SEGMENT INFORMATION (continued)

Geographical operating segments(continued):

2015	Eastern District	Southern District	Western District	Northern District	Head Office	Total
Net interest income	14,099	17,517	7,200	11,144	16,139	66,099
Net non-interest income	2,337	3,153	1,227	4,713	18,634	30,064
Of which: share of profits of associates	-	-	-	-	46	46
Operating income	16,436	20,670	8,427	15,857	34,773	96,163
Operating costs	(7,679)	(7,905)	(3,267)	(6,289)	(11,643)	(36,783)
Of which: depreciation, amortisation and rental expenses	(937)	(894)	(446)	(799)	(1,067)	(4,143)
Impairment losses on assets	(9,706)	(5,963)	(4,903)	(5,307)	(4,606)	(30,485)
Net non-operating (expenses)/ income	(30)	(10)	3	-	(12)	(49)
Segment profit	(979)	6,792	260	4,261	18,512	28,846
Income tax expense						(6,981)
Profit for the year						21,865

31 December 2015	Eastern District	Southern District	Western District	Northern District	Head Office	Offsetting	Total
Total Assets	567,560	701,022	194,835	439,506	1,242,670	(638,444)	2,507,149
Total Liabilities	568,307	694,230	194,575	435,245	1,091,736	(638,444)	2,345,649

2014	Eastern District	Southern District	Western District	Northern District	Head Office	Total
Net interest income	12,787	14,928	6,201	9,721	9,409	53,046
Net non-interest income	2,161	3,019	1,346	2,533	11,302	20,361
Of which: share of profits of associates	-	-	-	-	28	28
Operating income	14,948	17,947	7,547	12,254	20,711	73,407
Operating costs	(6,910)	(7,134)	(2,982)	(4,744)	(10,380)	(32,150)
Of which: depreciation, amortisation and rental expenses	(825)	(814)	(353)	(553)	(997)	(3,542)
Impairment losses on assets	(7,323)	(2,011)	(890)	(1,524)	(3,263)	(15,011)
Net non-operating (expenses)/ income	(37)	(2)	1	1	(15)	(52)
Segment profit	678	8,800	3,676	5,987	7,053	26,194
Income tax expense						(6,392)
Net profit						19,802

31 December 2014	Eastern District	Southern District	Western District	Northern District	Head Office	Offsetting	Total
Total Assets	518,130	671,213	184,848	396,236	1,080,555	(664,523)	2,186,459
Total Liabilities	517,453	662,459	181,332	390,041	968,748	(664,523)	2,055,510

IV. OPERATING SEGMENT INFORMATION (continued)

Business lines operating segments:

Corporate banking line of business

Corporate banking line of business provides financial products and services to corporate clients and government. The financial products and services include: corporate loan, corporate deposit, trade financing, public wealth management, and others.

Small and medium enterprises (hereafter referred to as the "SME") line of business

SME line of business provides financial products and services to small enterprises (owners), micro enterprises (owners), and individual households. The financial products and services include: deposit, loan, cards, financing, wealth management, and others.

Retail banking line of business

Retail banking line of business provides financial products and services to retail customers. The financial products and services include: deposit, loan, cards, individual wealth management, and others.

Inter-banking line of business

Inter-banking line of business involves the transactions in money market to make a profit.

Other line of business

Besides, head office invests in bonds and money markets to enhance manage the liquidity. Head office also collectively manages the non-performing assets, equity investments and assets, liabilities, income and expenses that are not directly attributable to a segment.

Segment assets, liabilities, revenues and profits are measured in accordance with the Company's accounting policy. Corporate tax is managed at company level, not for distribution in the operating segments. Segment income is mainly from interest income, therefore interest income is presented in net amount. Net interest income, instead of interest income and interest expense, is used by the management.

Inter-segment transactions are mainly money transference. The terms of the transaction are set by period and by referencing the capital cost in the market. "Internal interest net income/expense" refers to the net interest income and expense from transfer pricing between operating segments, which will be eliminated in consolidation. In addition, "external interest net income/expense" refers to the interest income received from the third party or interest expense paid to the third party. The total amount of "external interest net income/expense" from every operating segment should be equal to the net interest income in the Company's income statement.

Segment revenue, profit, assets and liabilities include those directly attributable to a segment, and those allocated pro rata.

The Company thoroughly conducts internal funds transfer pricing, using term matching and re-pricing method to calculate the income and expense of an individual account (contract), in order to enhance gearing, reasonable pricing, and comprehensive evaluation of the Company's performance.

2015	Corporation business	Small enterprise business	Retail business	Inter-bank business	Other	Total
Net interest income/(expense)	28,704	6,218	16,161	7,202	7,814	66,099
Net non-interest income / (expense) (1)	12,791	(61)	9,186	9,910	(1,762)	30,064
Of which: share of profits of associates					46	46
Operating revenue	41,495	6,157	25,347	17,112	6,052	96,163
Operating cost (2)	(12,642)	(2,558)	(17,566)	(2,297)	(1,720)	(36,783)
Of which: depreciation, amortization and rental fees	(925)	(312)	(2,640)	(170)	(96)	(4,143)
Impairment losses on assets	(12,623)	(9,489)	(6,137)	(483)	(1,753)	(30,485)
Net non-operating expenses	-	-	1	-	(50)	(49)
Segment profit/(losses)	16,230	(5,890)	1,645	14,332	2,529	28,846
Income tax expense						(6,981)
Net profit						21,865

31 December 2015	Corporation business	Small enterprise business	Retail business	Inter-bank business	Other	Total
Total assets	759,124	93,411	353,771	546,732	754,111	2,507,149
Total liabilities	1,335,723	16,170	273,695	512,739	207,322	2,345,649

Note 1:Included net fee and commission income, investment income, gains or losses from changes in fair values, net foreign exchange differences and other operating income.

Note 2:Included business tax and surcharge, and general and administrative expenses.

(All amounts in RMB millions unless otherwise stated)

IV. OPERATING SEGMENT INFORMATION (continued)

Business lines operating segments(continued):

2014	Corporation business	Small enterprise business	Retail business	Inter-bank business	Other	Total
Net interest income/(expense)	25,081	4,622	12,673	6,754	3,916	53,046
Net non-interest income / (expense) (1)	7,855	(139)	6,226	7,491	(1,072)	20,361
Of which: share of profits of associates					28	28
Operating revenue	32,936	4,483	18,899	14,245	2,844	73,407
Operating cost (2)	(10,637)	(2,067)	(16,682)	(2,046)	(718)	(32,150)
Of which: depreciation, amortization and rental fees	(771)	(214)	(2,407)	(118)	(32)	(3,542)
Impairment losses on assets	(6,215)	(2,247)	(4,267)	(34)	(2,248)	(15,011)
Net non-operating expenses	(1)	-	(1)	-	(50)	(52)
Segment profit/(losses)	16,083	169	(2,051)	12,165	(172)	26,194
Income tax expense						(6,392)
Net profit						19,802

31 December 2014	Corporation business	Small enterprise business	Retail business	Inter-bank business	Other	Total
Total assets	613,359	109,104	277,831	603,719	582,446	2,186,459
Total liabilities	1,162,921	19,319	247,527	416,633	209,110	2,055,510

Note 1:Included net fee and commission income, investment income, gains or losses from changes in fair values, net foreign exchange differences and other operating income.

Note 2:Included business tax and surcharge, and general and administrative expenses.

Information about a major customer

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue for the year 2015 and 2014.

V. COMMITMENTS AND CONTINGENT LIABILITIES

1. Capital commitments

	31 December 2015	31 December 2014
Authorised, but not contracted for	606	468
Contracted, but not provided for	889	2,402
Total	1,495	2,870

2. Operating lease commitments

The Company has entered into commercial leases on certain premises and equipment. At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases were as follows:

	31 December 2015	31 December 2014
Within one year, inclusive	2,286	1,925
One to two years, inclusive	1,937	1,798
Two to three years, inclusive	1,642	1,551
More than three years	5,156	5,098
Total	11,021	10,372

3. Credit commitments

	31 December 2015	31 December 2014
Bank acceptances	400,736	381,650
Guarantees issued	104,655	86,131
Letters of credit issued	73,892	70,011
Subtotal	579,283	537,792
Unused limit of credit cards and undrawn irrevocable loan commitments	58,243	53,390
Total	637,526	591,182
Credit risk weighted amounts of credit commitments	226,879	232,909

Financial guarantee contracts commit the Company to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts.

Apart from the undrawn irrevocable loan commitments mentioned above, as at 31 December 2015, revocable loan commitments granted by the Company amounted to RMB2,204.2 billion (31 December 2014: RMB20,87.1 billion). Since these commitments were revocable under certain conditions or automatically revoked when the creditability of the borrower deteriorated, the total contract amounts do not necessarily represent future cash requirements.

(All amounts in RMB millions unless otherwise stated)

V. COMMITMENTS AND CONTINGENT LIABILITIES

4. Fiduciary transactions

	31 December 2015	31 December 2014
Entrusted deposits	407,545	258,842
Entrusted loans	407,545	258,842
Entrusted funding	501,900	165,189
Entrusted investments	501,900	165,189

Entrusted deposits represent funds that depositors have instructed the Company to use to make loans to third parties as designated by them. The credit risk remains with the depositors.

Entrusted funding and entrusted investments represent the investment and asset management services provided by the Company to third parties in accordance with the agreed investment plans. The third parties provide funding for the related investments. Income from such investment activities is collected on behalf of and paid to the third parties according to the relevant contractual terms and actual investment income.

5. Contingent events

5.1 Legal proceedings

As at 31 December 2015, the total claimed amount of the litigation cases of which the Company was the defendant was RMB838 million (31 December 2014: RMB931 million). These litigation cases are under legal proceedings. In the opinion of management, the Company has made adequate allowance for any probable losses based on the prevailing facts and circumstances.

5.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the Company underwrites PRC voucher-type government bonds and savings bonds (electronic) and sells the bonds to the general public. The Company is obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the notional value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2015, the Company has sold voucher-type government bonds and savings bonds (electronic) with accumulated amounts of RMB2,322 million (31 December 2014: RMB2,243 million) and RMB3,364 million (31 December 2014: RMB2,897 million) respectively, to the general public that the Company has the obligation of early redemption.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2015 and 31 December 2014, there was no unexpired underwriting commitment of the government bonds.

VI. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to support the continuous growth in business, to ensure that the Company complies with regulatory capital requirements and to maximise shareholders' value. The Company regularly reviews its capital positions and implementation of related capital management strategy and to support the achievements of medium and long term business objectives through active capital management, so as to unceasingly improve the use efficiency of capital. The required information of capital adequacy is filed with the CBRC by the Company on a quarterly basis.

The Company calculates capital adequacy ratio pursuant to "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) " promulgated by CBRC in June 2012. In accordance with the requirements, for the purpose of the reporting period, credit-risk-weighted assets are measured using weighted method; market-risk-weighted assets are measured using standard method; and operating-risk-weighted assets are measured using standard indicator approach.

(All amounts in RMB millions unless otherwise stated)

VI. CAPITAL MANAGEMENT (continued)

As at 31 December 2015, the Company's core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio are shown below:

	Notes	31 December 2015	31 December 2014
Core Tier 1 capital adequacy ratio	(a)	9.03%	8.64%
Tier 1 capital adequacy ratio	(a)	9.03%	8.64%
Capital adequacy ratio	(a)	10.94%	10.86%
Core Tier 1 capital			
Share capital		14,309	11,425
Capital reserve and investment revaluation reserve		59,326	52,270
Surplus reserve		8,521	6,334
General reserve		27,528	19,115
Retained earnings		52,933	43,656
Other comprehensive income		(1,117)	(1,851)
Deduction items from Core Tier 1 capital			
Goodwill	(b)	7,568	7,568
Other intangible assets (exclude land use right)	(b)	3,862	4,140
Other Core Tier 1 capital			
Tier 2 capital			
Tier 2 capital tool and surplus		20,114	20,114
Excessive loan provision		11,621	10,596
Net amount of Core Tier 1 capital	(c)	150,070	119,241
Net amount of Tier 1 capital	(c)	150,070	119,241
Net amount of capital	(c)	181,805	149,951
Risk-weighted assets	(d)	1,661,747	1,380,432

Notes:

(a)Core Tier 1 capital adequacy ratio equals to net amount of Core Tier 1 capital over risk-weighted assets. Tier 1 capital adequacy ratio equals to net amount of Tier 1 capital over risk-weighted assets.

(b)Goodwill and other intangible assets (excluding land use right) are the net amounts from deduction of the associated deferred tax liability.

(c)Net amount of core Tier 1 capital is core Tier 1 capital minuses exclusive items. Net amount of Tier 1 capital equals to Tier 1 capital minuses exclusive items of core Tier 1 capital. Net amount of capital equals to total capital minus exclusive items of total capital.

(d)Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, and operating risk-weighted assets.

Notes to the Financial Statements

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

VII. RISK DISCLOSURE (continued)

1. Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations.

The Company has established relevant mechanism to set credit risk limit for every individual borrower and review credit risk and the limit regularly.

Credit risk Measurement

(i) Loans and advances, financial guarantee and loan commitments

The Company has established a concentrated, vertical and individual comprehensive risk management framework and a "dispatched risk management, matrix and double-line reporting" risk management model. The Risk Management Committee of the Head Office is responsible for coordinating risk management of all levels. Professional departments such as the Risk Management Department, Corporate Credit Authorisation Department, Asset Monitoring Department, Retail Credit Management Department, are responsible of credit management of the bank. The Risk Management Committee of the Head Office dispatch vice presidents or risk directors to branches and business unites, who undertake credit management duties in their own institutions.

The Company has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. In addition, the Company has formulated the "Policies of Credit Underwriting", which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk.

The Company also further enhanced its credit risk monitoring and early warning management system in order to improve its credit risk monitoring. The Company actively responds to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision. The Company has also set up a problematic loan optimisation mechanism to speed up the problematic loan optimisation process and to prevent them from deteriorating to non-performing loans.

The Company sub-divides credit asset risks into 10 categories based on the five-tier loan classification system promulgated by the CBRC, namely, Pass One, Pass Two, Pass Three, Pass Four, Pass Five, Special Mention One, Special Mention Two, Substandard, Doubtful and Loss. Furthermore, a separate "Write-off" category has been added to the classification system. The Company applies different management policies to the loans in accordance with their respective loan categories.

Risks arising from financial guarantees and loan commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

(ii)Financial assets classified as loans and receivables

Financial assets classified as loans and receivables include subordinated debts issued by other bank, wealth management products issued by other banks, asset management plans and trust pans. The Company established a rating and restricted access system towards the cooperating trust companies, securities companies and fund companies. The Company also set credit quota for the repurchase parties of trust beneficial rights, issuer of wealth management products, and ultimate financing parties of oriented asset management plans and engage in periodically subsequent risk management.

(iii) Bonds

The Company manages credit risk exposure of bonds and bills by setting restriction of investment size, issuer profile and rating and also post-investment management. Generally, corporate credit rating of issuer of bonds designated in foreign currencies is required to be equal to or higher than BBB (by Standard&Poor's or equivalent rating agencies) when purchasing. Corporate credit rating of issuer of bonds designated in RMB is required to be equal to or higher than AA(credit rating institutes shall obtain the admission by the Company) when purchasing. In respect of bond investing business, the Company implement List system access management for non-financial enterprises with credit rating of AA and AA+ or higher; in case of multiple rating results for the same issuer, the lowest rating result shall prevail.

(iv) Inter-bank transactions

The Company reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

	31 December 2015	31 December 2014
Due from the Central Bank	287,596	302,139
Deposits with banks and other financial institutions	109,046	66,969
Placements with banks and other financial institutions	76,636	45,841
Financial assets at fair value through profit or loss	19,757	25,811
Derivative financial assets	8,144	4,300
Reverse repurchase agreements	117,291	178,636
Loans and advances	1,186,872	1,003,637
Available-for-sale financial assets (excluding equity investments)	516	1,005
Held-to-maturity investments	266,166	207,874
Receivables	307,635	246,258
Other financial assets	23,469	24,476
Total	2,403,128	2,106,946
Credit commitments	637,526	591,182
Maximum exposure to credit risk	3,040,654	2,698,128

Notes to the Financial Statements

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

VII. RISK DISCLOSURE(continued)

1. Credit risk (continued)

Risk concentration of the maximum credit risk exposure

Credit risk is often greater when counterparties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the Company are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note III.9 for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required are determined by the Company based on its assessment of the credit risk of the counterparty. The Company has implemented guidelines regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly bills, beneficial right of trust, or securities
- For commercial lending, mainly charges over real estate properties, inventories, shares or trade receivables
- For retail lending, mainly mortgages over residential properties

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

Credit quality

The credit quality by class of financial assets (gross amount before deducting any impairment provision) of the Company is Summarised as follows:

31 December 2015	Neither overdue nor impaired	Overdue but not impaired	Impaired (Note)	Total
Deposits with banks and other financial institutions	109,079	-	32	109,111
Placements with banks and other financial institutions	76,632	-	28	76,660
Financial assets at fair value through profit or loss	19,757	-	-	19,757
Reverse repurchase agreements	117,288	-	10	117,298
Accounts receivable	6,624	-	-	6,624
Loans and advances	1,158,342	40,151	17,645	1,216,138
Available-for-sale financial assets (excluding equity investments)	516	-	39	555
Held-to-maturity investments	266,166	-	-	266,166
Receivables	308,450	-	-	308,450
Total	2,062,854	40,151	17,754	2,120,759

(All amounts in RMB millions unless otherwise stated)

VII. RISK DISCLOSURE(continued)

1. Credit risk (continued)

Credit quality (continued)

31 December 2014	Neither overdue nor impaired	Overdue but not impaired	Impaired (Note)	Total
Deposits with banks and other financial institutions	67,003	-	32	67,035
Placements with banks and other financial institutions	45,838	-	27	45,865
Financial assets at fair value through profit or loss	25,811	-	-	25,811
Reverse repurchase agreements	178,632	-	32	178,664
Accounts receivable	9,925	-	-	9,925
Loans and advances	978,548	35,685	10,501	1,024,734
Available-for-sale financial assets (excluding equity investments)	1,005	-	37	1,042
Held-to-maturity investments	207,876	-	-	207,876
Receivables	246,608	-	-	246,608
Total	1,761,246	35,685	10,629	1,807,560

Note: Impaired corporate loans comprise loans and advances graded at the last three tiers (i.e., "Substandard", "Doubtful" or "Loss") under the five-tier loan classification system maintained by the Company. Impaired personal loans comprise "Pass" or "Special Mention" loans overdue more than 90 days as well as loans graded at the last three tiers. As at 31 December 2015, impaired loans and advances comprise overdue loans of RMB17,276 million (31 December 2014: RMB10,310 million) and non-overdue loans of RMB369 million (31 December 2014: RMB191 million).

Neither past due nor impaired "loans and advances"

At the balance sheet date, the aggregate amounts of neither past due nor impaired "loans and advances" to customers are "Pass" and "Special Mention" loans graded in accordance with the five-tier loan classification.

	31 December 2015	31 December 2014
Pass	**1,137,534**	970,334
Special Mention	**20,808**	8,214
Total	**1,158,342**	978,548

Past due but not impaired loans and advances

At the balance sheet date, an aging analysis of the past due but not yet impaired loans and advances was as follows:

	31 December 2015					
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months	Total	Fair value ofcollateral
Corporate loans and advances	6,597	3,922	2,678	16,928	30,125	28,023
Personal loans	4,659	2,402	2,606	359	10,026	5,404
Total	11,256	6,324	5,284	17,287	40,151	33,427

	31 December 2014					
	Within 1 month	1 to 2 months	2 to 3 months	More than 3 months	Total	Fair value ofcollateral
Corporate loans and advances	4,842	3,270	2,364	18,776	29,252	32,011
Personal loans	3,399	1,494	1,200	340	6,433	4,506
Total	8,241	4,764	3,564	19,116	35,685	36,517

Impaired loans and advances

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occurred after initial recognition, resulting in an impact on the estimated future cash flows of loans and advances that can be reliably estimated. Evidence of impairment may include indications that the borrower or a company of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The fair value of the collateral that the Company holds relating to corporate loans and advances individually determined to be impaired at 31 December 2015 amounted to RMB4,212 million (31 December 2014: RMB3,606 million).

As at 31 December 2015, formerly past due or impaired loans and advances with re-agreed terms amount to RMB12,509 million (31 December 2014: RMB8,305 million).

Impaired amounts due from other financial institutions

Impaired amounts due from other financial institutions are all determined based on individual assessments. In determining whether an item is impaired, the Company considers the evidence of any loss events and the decreases in estimated future cash flows. No collateral was held by the Company as security of the impaired amounts due from other financial institutions.

VII. RISK DISCLOSURE(continued)

2. Liquidity risk

Liquidity risk refers to the risk that a commercial bank cannot satisfy the needs of business development, and pay off debts and other obligations with reasonable costs or with sufficient fund in a timely manner.

It is the Company's ultimate responsibility to manage liquidity risk. Asset liability management committee is the top management of the Company's liquidity risk management. Asset liability management department, in the authority of asset liability management committee, is responsible for daily liquidity risk management. The performance of Board of Directors and senior management is evaluated regularly by Board of Supervisors. Internal audit department is responsible for the internal auditing of liquidity risk.

The company has been paying attention to liquidity risk, not only by constantly improving the liquidity risk management framework, but also by effective identification, measurement, monitoring, controlling the liquidity risk, conducting pressure test on liquidity risk, cautiously assessing the future needs on liquidity, continuously improving and refining emergency plan against liquidity risk, and enhancing the communication and coordination of each relevant department in order to improve the response efficiency of liquidity risk.

By the end of reporting period, the Company's liquidity is sufficiently maintained, with major liquid index equal to or higher than the regulatory requirements; various businesses grow steadily, with adequate and superior liquid asset reserve on a continuous basis.

There is no significant liquidity risk by the end of the reporting period. The Company will continuously work on the improvement in 2015.

As at 31 December 2015, the remaining contractual maturity analysis of the Company's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	31 December 2015							
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative cash flows:								
Financial assets:								
Cash on hand and due from the Central Bank	51,153	-	-	-	-	-	240,686	291,839
Amounts due from other financial institutions (1)	30,596	167,230	36,596	57,713	16,927	-	-	309,062
Financial assets at fair value through profit or loss	-	2,663	6,621	5,720	4,466	1,322	-	20,792
Accounts receivable	48	121	941	3,181	2,826	-	-	7,117
Loans and advances	27,521	134,410	209,966	440,205	374,508	138,938	-	1,325,548
Available-for-sale financial assets	-	3	67	67	181	246	729	1,293
Held-to-maturity investments	-	6,808	7,333	36,120	159,261	102,831	-	312,353
Receivables	879	61,562	73,106	82,960	103,009	7,978	-	329,494
Other financial assets	898	1	2,123	-	253	30	-	3,305
Subtotal	111,095	372,798	336,753	625,966	661,431	251,345	241,415	2,600,803
Financial liabilities:								
Due to the Central Bank	-	927	1,250	887	-	-	-	3,064
Amounts due to other financial institutions (2)	142,978	68,682	68,060	54,845	4,402	-	-	338,967
Financial liabilities at fair value through profit or loss	-	3,342	4,056	1,108	-	-	-	8,506
Accounts payable	-	15	29	-	-	-	-	44
Customer deposits	600,161	237,378	205,010	488,925	257,984	2,680	-	1,792,138
Bonds payable	-	30,120	75,004	91,060	20,854	3,888	-	220,926
Other financial liabilities	5,709	533	-	1,310	-	-	-	7,552
Subtotal	748,848	340,997	353,409	638,135	283,240	6,568	-	2,371,197
Net amount of liquidity	(637,753)	31,801	(16,656)	(12,169)	378,191	244,777	241,415	229,606
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	(11)	(41)	(2)	(9)	-	-	(63)
Derivative financial instruments settled on a gross basis								
Of which: Cash inflow	38,999	184,255	103,010	140,337	5,109	469	-	472,179
Cash outflow	(37,281)	(183,850)	(102,203)	(138,927)	(4,890)	(364)	-	(467,515)
	1,718	405	807	1,410	219	105	-	4,664

(1)Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2)Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

(All amounts in RMB millions unless otherwise stated)

VII. RISK DISCLOSURE(continued)

2. Liquidity risk(continued)

As at 31 December 2014, the remaining contractual maturity analysis of the Company's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	31 December 2014							
	Overdue/ on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative cash flows:								
Financial assets:								
Cash on hand and due from the Central Bank	26,520	-	-	-	-	-	279,780	306,300
Amounts due from other financial institutions (1)	50,021	83,300	48,195	47,519	76,281	2,337	-	307,653
Financial assets at fair value through profit or loss	-	1,188	4,472	8,863	11,929	1,530	-	27,982
Accounts receivable	184	155	1,051	7,281	1,872	-	-	10,543
Loans and advances	7,447	115,182	189,917	404,459	298,707	129,293	-	1,145,005
Available-for-sale financial assets	-	9	-	249	544	349	488	1,639
Held-to-maturity investments	-	1,825	4,031	30,292	130,719	74,052	-	240,919
Receivables	539	70,242	41,115	89,592	59,169	418	-	261,075
Other financial assets	1,161	-	1,423	-	-	30	-	2,614
Subtotal	85,872	271,901	290,204	588,255	579,221	208,009	280,268	2,303,730
Financial liabilities:								
Due to the Central Bank	-	654	1,465	645	-	-	-	2,764
Amounts due to other financial institutions (2)	56,496	162,613	116,011	75,052	11,559	-	-	421,731
Financial liabilities at fair value through profit or loss	-	722	2,682	855	-	-	-	4,259
Accounts payable	182	23	126	785	928	-	-	2,044
Customer deposits	580,295	100,128	209,129	438,222	272,282	-	-	1,600,056
Bonds payable	-	5,000	5,500	11,400	10,278	21,518	-	53,696
Other financial liabilities	8,081	2	-	1,449	-	-	-	9,532
Subtotal	645,054	269,142	334,913	528,408	295,047	21,518	-	2,094,082
Net amount of liquidity	(559,182)	2,759	(44,709)	59,847	284,174	186,491	280,268	209,648
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	(14)	10	(38)	65	-	-	23
Derivative financial instruments settled on a gross basis								
Of which: Cash inflow	-	178,422	101,773	231,072	4,011	373	-	515,651
Cash outflow	-	(175,080)	(98,246)	(208,911)	(3,463)	(327)	-	(486,027)
	-	3,342	3,527	22,161	548	46	-	29,624

(1)Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2)Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

Analysis of credit commitments by contractual expiry date:

	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
31 December 2015							
Bank acceptances	70,185	122,237	208,314	-	-	-	400,736
Credit card commitments	9	1,852	4,235	29,872	22,275	-	58,243
Guarantee and letters of guarantee issued	9,895	12,238	46,032	28,789	7,701	-	104,655
Letters of credit issued	12,198	19,784	41,907	3	-	-	73,892
Total	92,287	156,111	300,488	58,664	29,976	-	637,526
31 December 2014							
Bank acceptances	69,633	133,472	178,545	-	-	-	381,650
Credit card commitments	4	1,070	7,816	39,379	5,121	-	53,390
Guarantee and letters of guarantee issued	3,603	6,247	45,563	23,527	7,191	-	86,131
Letters of credit issued	15,223	16,930	33,684	4	4,170	-	70,011
Total	88,463	157,719	265,608	62,910	16,482	-	591,182

Management expects that not all of the commitments will be drawn before expiry of the commitments.

VII. RISK DISCLOSURE(continued)

3. Market risk

The principal market risk faced by the Company comes from interest rates and the position of exchange rate products. The target of market risk management is to avoid uncontrollable loss of revenue or equity caused by market risk, and to offset the impact of volatility risk of financial instruments on the Company. The Board of Directors of the Company is responsible for approving policies of market risk management, and authorises the Asset and Liability Management Committee to specifically approve the credit limit on market risk for capital investment business, while conducting regular supervision on market risks. The specialised department under the Asset and Liability Management Committee undertakes regular functions of market risk monitoring, including determining a reasonable level of market risk exposure, monitoring daily operation of treasury business, giving advice to adjust maturity structure and interest rate structure of assets and liabilities.

Transaction account interest rate risk comes from the change in interest rates and product price of the transaction account resulting from the change in market interest rates, which in turn affects the profit or loss of the Company for the year. The Company mainly manages the transaction account by adopting measures such as the interest rate sensitive limit and daily and monthly stop-loss limit to ensure that the fluctuations of interest rate and market value of products are within the affordable scope of the Company.

Bank account interest rate risk comes from the mismatch of the maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities of the Company are primarily priced in RMB. The Company manages interest rate risk primarily by adjusting the asset/liability pricing structure, regularly monitoring sensitive gaps of interest rate, analysing characteristics of asset/liability re-pricing, and using an asset/liability management system to conduct scenario analysis on interest risk. The Company regularly convenes the Asset and Liability Management Committee meetings to adjust the asset/liability structure timely and appropriately and manage interest rate risk by predicting future macro-economic trends and analysing base rate policies of the Peoples' Bank of China.

In the opinion of management, as the market risk of the Company's trading business activities is not material, the Company has not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

3.1. Currency risk

The Company's foreign exchange risk exposure mainly comprises exposures from the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange position arising from derivative transactions. The currency risk of the Company mainly arises from loans and advances, investments and deposits denominated in foreign currencies. The Company has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

As at 31 December 2015, the Company's foreign currency assets and liabilities summarised by currency were as follows:

	31 December 2015			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:				
Cash on hand and due from the Central Bank	8,685	304	67	9,056
Amounts due from other financial institutions (1)	49,761	5,869	4,243	59,873
Financial assets at fair value through profit or loss and derivative financial assets	243	-	349	592
Loans and advances	98,193	4,211	5,791	108,195
Available-for-sale financial assets	45	-	-	45
Held-to-maturity investments	2,036	-	-	2,036
Accounts receivable	939	-	-	939
Other assets	646	12	44	702
Total assets	160,548	10,396	10,494	181,438
Liabilities:				
Amounts due to other financial institutions (2)	12,130	192	179	12,501
Financial liabilities at fair value through profit or loss and derivative financial liabilities	9	-	-	9
Customer deposits	183,784	10,208	3,693	197,685
Others	1,990	78	22	2,090
Total liabilities	197,913	10,478	3,894	212,285
Net position of foreign currency (3)	(37,365)	(82)	6,600	(30,847)
Notional amount of foreign exchange derivative financial instruments	39,313	14	(6,526)	32,801
Total	1,948	(68)	74	1,954
Off-balance sheet credit commitments	54,822	864	719	56,405

1)Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2)Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

(3)The net position of foreign currency comprised the related net position of monetary assets and liabilities.

(All amounts in RMB millions unless otherwise stated)

VII. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.1. Currency risk(continued)

As at 31 December 2014, the Company's foreign currency assets and liabilities summarised by currency were as follows:

	31 December 2014			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:				
Cash on hand and due from the Central Bank	6,748	556	59	7,363
Amounts due from other financial institutions (1)	21,551	6,086	1,937	29,574
Financial assets at fair value through profit or loss and derivative financial assets	8	-	371	379
Loans and advances	100,763	5,069	1,165	106,997
Available-for-sale financial assets	37	-	-	37
Held-to-maturity investments	310	-	-	310
Accounts receivable	3	-	-	3
Other assets	1,359	7	7	1,373
Total assets	130,779	11,718	3,539	146,036
Liabilities:				
Amounts due to other financial institutions (2)	5,098	18	1,908	7,024
Financial liabilities at fair value through profit or loss and derivative financial liabilities	8	-	-	8
Customer deposits	172,875	17,179	2,392	192,446
Accounts payable	3	-	-	3
Others	2,420	225	39	2,684
Total liabilities	180,404	17,422	4,339	202,165
Net position of foreign currency (3)	(49,625)	(5,704)	(800)	(56,129)
Notional amount of foreign exchange derivative financial instruments	48,920	5,407	675	55,002
Total	(705)	(297)	(125)	(1,127)
Off-balance sheet credit commitments	41,989	2,266	392	44,647

(1)Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2)Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

(3)The net position of foreign currency comprised the related net position of monetary assets and liabilities.

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the Company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the exchange rates against the RMB, with all other variables held constant on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a net potential increase. As the Company has no cash flow hedges and has only a minimal amount of available-for-sale equity instruments denominated in foreign currencies, changes in exchange rates do not have any material potential impact on equity.

31 December 2015

Currency	Change in exchange rate in %	Effect on profit before tax(RMB equivalent)
USD	+/-5%	+/-97
HKD	+/-5%	-/+3

31 December 2014

Currency	Change in exchange rate in %	Effect on profit before tax(RMB equivalent)
USD	+/-5%	-/+35
HKD	+/-5%	-/+15

3.2. Interest rate risk

The Company's interest rate risk mainly arises from the mismatch of contractual maturity or re-pricing dates between interest-earning assets and interest-bearing liabilities. The interest-earning assets and interest-bearing liabilities of the Company are mainly denominated in RMB. The PBOC sets a cap and a floor on interest rates on deposits and loans, respectively.

The Company manages its interest rate risk by adjusting the composition of assets and liabilities, monitoring indicators such as the interest rate sensitivity gap on a regular basis and measuring risk exposure in accordance with the re-pricing characteristics of assets and liabilities. The Asset and Liability Management Committee meets regularly and manages interest rate risk exposures by adjusting the composition of the assets and liabilities in accordance with movements in market interest rates.

Notes to the Financial Statements

For the year ended 31 December 2015
(All amounts in RMB millions unless otherwise stated)

VII. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.2. Interest rate risk(continued)

As at 31 December 2015, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Company's balance sheet items were summarised as following:

	31 December 2015					
	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Assets:						
Cash on hand and due from the Central Bank	282,055	-	-	-	9,660	291,715
Precious metals	-	-	-	-	63,744	63,744
Amounts due from other financial institutions (1)	233,161	54,274	15,538	-	-	302,973
Financial assets at fair value through profit or loss and derivative financial assets	9,082	5,510	4,009	1,156	8,144	27,901
Accounts receivable	1,044	3,000	2,536	-	44	6,624
Loans and advances	572,266	416,621	176,685	21,300	-	1,186,872
Available-for-sale financial assets	65	60	171	220	729	1,245
Held-to-maturity investments	31,761	47,549	99,841	87,015	-	266,166
Receivables	132,548	75,519	92,461	7,107	-	307,635
Long term equity investments	-	-	-	-	521	521
Fixed assets	-	-	-	-	4,788	4,788
Goodwill	-	-	-	-	7,568	7,568
Others	-	-	-	-	39,397	39,397
Total assets	1,261,982	602,533	391,241	116,798	134,595	2,507,149
Liabilities:						
Amounts due to the Central Bank	2,171	880	-	-	-	3,051
Amounts due to other financial institutions (2)	277,699	52,594	3,956	-	-	334,249
Financial liabilities at fair value through profit or loss and derivative financial liabilities	-	-	-	-	12,543	12,543
Accounts payable	-	-	-	-	44	44
Customer deposits	1,035,849	429,959	261,324	-	6,789	1,733,921
Bonds payable	103,936	88,912	16,495	3,620	-	212,963
Others	-	-	-	-	48,878	48,878
Total liabilities	1,419,655	572,345	281,775	3,620	68,254	2,345,649
Interest rate risk exposure	(157,673)	30,188	109,466	113,178	Not applicable	Not applicable

(1)Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2)Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

As at 31 December 2014, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Company's balance sheet items were summarised as following:

	31 December 2014					
	Up to 3 months	3 months to 1 yea	1 to 5 years	Over 5 years	Non-interest-bearing	Total
Assets:						
Cash on hand and due from the Central Bank	293,049	-	-	-	13,249	306,298
Precious metals	-	-	-	-	45,254	45,254
Amounts due from other financial institutions (1)	163,690	56,624	69,432	1,700	-	291,446
Financial assets at fair value through profit or loss and derivative financial assets	5,568	8,057	10,455	1,731	4,300	30,111
Accounts receivable	183	9,729	13	-	-	9,925
Loans and advances	516,758	359,748	113,789	13,342	-	1,003,637
Available-for-sale financial assets	-	221	481	303	488	1,493
Held-to-maturity investments	30,613	57,452	68,107	51,702	-	207,874
Receivables	109,338	82,997	53,515	408	-	246,258
Long-term equity investments	-	-	-	-	486	486
Fixed assets	-	-	-	-	3,812	3,812
Goodwill	-	-	-	-	7,568	7,568
Other assets	-	-	-	-	32,297	32,297
Total assets	1,119,199	574,828	315,792	69,186	107,454	2,186,459
Liabilities:						
Due to the Central Bank	2,113	641	-	-	-	2,754
Amounts due to other financial institutions (2)	334,959	75,052	11,559	-	-	421,570
Financial liabilities at fair value through profit or loss and derivative financial liabilities	-	-	-	-	6,921	6,921
Accounts payable	182	1,701	-	-	-	1,883
Customer deposits	869,652	418,885	240,387	-	4,259	1,533,183
Bonds payable	10,453	11,183	7,464	12,650	-	41,750
Others	-	-	-	-	47,449	47,449
Total liabilities	1,217,359	507,462	259,410	12,650	58,629	2,055,510
Interest rate risk exposure	(98,160)	67,366	56,382	56,536	Not applicable	Not applicable

(1)Amounts due from other financial institutions included financial assets of deposits with banks and other financial institutions, placements with banks and other financial institutions and reverse repurchase agreements.

(2)Amounts due to other financial institutions included financial liabilities of deposits from banks and other financial institutions, placements from banks and other financial institutions and repurchase agreements.

(All amounts in RMB millions unless otherwise stated)

VII. RISK DISCLOSURE (continued)

3. Market risk (continued)

3.2. Interest rate risk(continued)

The Company principally uses sensitivity analyses to measure and control interest rate risk. In respect of the financial assets and liabilities at fair value through profit or loss, in the opinion of management, the interest rate risk to the Company arising from this portfolio is not significant. For other financial assets and liabilities, the Company mainly uses a gap analysis to measure and control the related interest rate risk.

As at 31 December 2015 and 31 December 2014, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) were as follows:

	31 December 2015		31 December 2014	
	Changes in interest rate (basis points)		Changes in interest rate (basis points)	
	-50	+50	-50	+50
Effect on the net interest income increase/(decrease)	684	(684)	343	(343)
Effect on equity increase/ (decrease)	10	(10)	17	(17)

The above gap analyses assume that the interest rate risk profile of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) remains static.

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) held at the balance sheet date. The sensitivity of equity is calculated by revaluing the year end portfolio of fixed-rate available-for-sale financial assets, based on a reasonable possible change in interest rates. Impact on income tax has not been considered in calculating the above effect on the net interest income and equity.

The above sensitivity analyses are based on the following assumptions: all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be re-priced in the mid of the respective bands; and there are parallel shifts in the yield curve.

Regarding the above assumptions, the effect on the net interest income and equity as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

4. Fair value of financial instruments

4.1 Financial assets and liabilities continuously measured at fair value

The Company classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), including Bloomberg, Reuters and China Bond Market Website and National Equities Exchange and Quotations.

Level 3: fair value measurements are not based on observable market data (that is, unobservable inputs).

As at 31 December 2015, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

31 December 2015	Open market price(Level 1)	Valuation technique - observable input(Level 2)	Valuation technique - unobservable input(Level 3)	Total
Financial assets:				
Financial assets at fair value through profit or loss	-	19,757	-	19,757
Derivative financial assets	-	8,144	-	8,144
Available-for-sale financial assets	4	1,063	178	1,245
Total	4	28,964	178	29,146
Financial liabilities:				
Financial liabilities at fair value through profit or loss	8,506	-	-	8,506
Derivative financial liabilities	-	4,037	-	4,037
Total	8,506	4,037	-	12,543

As at 31 December 2014, financial instruments and liabilities continuously measured at fair value are analysed below:

31 December 2014	Open market price(Level 1)	Valuation technique - observable input(Level 2)	Valuation technique - unobservable input(Level 3)	Total
Financial assets:				
Financial assets at fair value through profit or loss	-	25,811	-	25,811
Derivative financial assets	-	4,300	-	4,300
Available-for-sale financial assets	4	1,005	484	1,493
Total	4	31,116	484	31,604
Financial liabilities:				
Financial liabilities at fair value through profit or loss	4,259	-	-	4,259
Derivative financial liabilities	-	2,662	-	2,662
Total	4,259	2,662	-	6,921

(All amounts in RMB millions unless otherwise stated)

VII. RISK DISCLOSURE (continued)

4. Fair value of financial instruments (continued)

4.1 Financial assets and liabilities continuously measured at fair value (continued)

Date of transfers between levels is determined in accordance with the date when the transfer event occurs. There were no significant transfers between level 1 and level 2 of the fair value hierarchy during the year ended 31 December 2015.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique.

Financial instruments classified to level 2 are mainly investments in bonds, foreign exchange forwards and swaps, interest rate swaps, currency options, precious metal contracts etc.. The fair value of RMB bonds is determined in accordance with the valuation results from Central Securities Depository Trust & Clearing Co. Ltd.. The fair value of foreign currency bonds is determined according to the valuation results by Bloomberg. The fair value of currency forwards and swaps, interest rate swaps, and foreign exchange options are determined by using the discounted cash flow method and the Blair -Scholes model. The fair value of the precious metal is determined in accordance with the closing price from Shanghai Gold Exchange. All the significant valuation parameters are observable information.

There were no financial assets or liabilities that were not continuously measured at fair value as at 31 December 2015 and 31 December 2014.

The changes in Level 3 financial assets are analysed below:

	Available-for-sale financial assets
1 January 2015	484
Purchases	8
Transfer out of Level 3	**(314)**
31 December 2015	178
Changes in unrealised gains or losses included in profit or loss for the current period with respect to assets still held as at 31 December 2015-Gains on changes in fair value	**(1)**

	Available-for-sale financial assets
1 January 2014	122
Purchases	373
Disposal	(11)
31 December 2014	484
Changes in unrealised gains or losses included in profit or loss for the current period with respect to assets still held as at 31 December 2014-Gains on changes in fair value	-

4.2 Financial assets and liabilities not measured at fair value

Financial assets and liabilities that are not measured at fair value include: due from the Central Bank, deposits with banks, placements with banks and other financial institutions, reverse repurchase agreements, loans and advances, held-to-maturity investments, receivables, due to the Central Bank, deposits from banks and other financial institutions, placements from banks, repurchase agreements, customer deposits, and bonds payable.

Below table summarises the carrying value and fair value of the financial assets and liabilities that are not measured at fair value:

	31 December 2015					31 December 2014	
		Fair Value					
	Book value	Level 1	Level 2	Level 3	Total	Book value	Fair Value
Held-to-maturity investments	266,166	-	274,600	-	274,600	207,874	210,095
Bonds payable	212,963	-	213,182	-	213,182	41,750	42,629

(1)The fair value of held-to-maturity investments is determined based on quoted market prices, presented in level 1. If relevant market information cannot be obtained for held-to-maturity investments, discounted cash flow model is used to carry on the valuation, or where applicable, the quoted price with similar credit risk, maturity and yield is used, presented in level 2 and level 3.

(2)The fair value of bonds payable is determined based on quoted market prices, presented in level 1. If all the significant inputs in calculating the fair value of bonds payable are observable, the fair value is presented in level 2.

Discounted cash flow model is used to determine the financial assets and financial liabilities that are not measured at fair value other than the above. As the periods for these financial instruments are short or their interest rates float based on the market interest rate, there are no significant differences between their carrying values and fair values.

Assets	Liabilities
Cash and due from the Central Bank	Due to the Central Bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Reverse repurchase agreements	Repurchase agreements
Loans and advances	
Receivables	Other financial liabilities
Other financial assets	

(All amounts in RMB millions unless otherwise stated)

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company:

		Percentage of equity interest held	
Name	Place of registration	**31 December 2015**	31 December 2014
Ping An Insurance (Group) Company of China, Ltd.	Shenzhen, the PRC	**58.00%**	59.00%

Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as "China Ping An") was established in Shenzhen, the People's Republic of China on 21 March 1988. The business scope of China Ping An includes investing in financial and insurance enterprises, supervising and managing various domestic and overseas businesses of its subsidiaries, and treasury trading.

As at 31 December 2015, 8.44% of shares (31 December 2014: 8.80%) of the Company were indirectly held by China Ping An through its subsidiary, Ping An Life Insurance Company of China, Ltd.

2. Major transactions between the Company and China Ping An and its subsidiaries during the period are as follows:

Balance at end of the year	**31 December 2015**	31 December 2014
Other assets	**185**	142
Deposits from banks and other financial institutions	**11,960**	4,708
Customer deposits	**52,828**	38,526
Interests payable	**1,268**	1,085
Others	**1**	1
Loans and advances	**837**	300
Guarantees issued	**397**	16
Petty Consumer Loan under insurance(Note 1)	**3,960**	2,124
Trade Finance under credit insurance(Note 2)	**1,118**	1,132
Letter of Guarantee under comprehensive financial business(Note 3)	**18,000**	17,200

Transactions during the year	2015	2014
Interest income due to transactions with financial institutions	75	18
Agency business fee income	585	315
Custodian services fee income	12	1
Interest expenses on amounts due to other financial institutions	206	41
Interest expense due to transactions with financial institutions	22	22
Interest expenses on customer deposits	1,766	1,811
Insurance premium expenses	155	112
Payment under operating leases	89	116
Service fees	2,320	1,756

Note 1: For the purpose of Petty Consumer Loan under insurance, loan applicant insures himself under individual consumption credit guarantee insurance of China Ping An and its subsidiaries, where the Company acts as the insurer who issues individual consumption loan to the applicant with the insurance as guarantee.

Note 2: For the purpose of Trade Finance under credit insurance, credit insurance is introduced in trade financing, where the Company or the client as the insured and the Company as the beneficiary provides credit granting support to the enterprises in trading chain. In case of credit fund loss, China Ping An and its subsidiaries will indemnify the Company accordingly.

Note 3: For the purpose of Letter of Guarantee under comprehensive financial business, China Ping An and its subsidiaries raise funds to establish debt investment plan in order to loan to the client for investing certain projects, where the Company issues financing guarantee, and China Ping An and its subsidiaries acts as beneficiaries.

The above transactions were made according to the normal commercial terms and conditions and were processed under normal business procedures.

(All amounts in RMB millions unless otherwise stated)

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

3. Major transactions between the Company and the key management personnel during the period are listed below:

Loans	2015	2014
Balance at beginning of the year	3	9
Increase during the year	-	-
Decrease during the year	(1)	(6)
Balance at end of the year	2	3
Interest income	1	1

As at 31 December 2015 and 31 December 2014, the annual interest rates of these loan transactions ranged from 1.8%-5.65%and 1.51% to 4.31%.

Deposits	2015	2014
Balance at beginning of the year	223	213
Increase during the year	2,432	1,342
Decrease during the year	(2,367)	(1,332)
Balance at end of the year	288	223
Interest expense on deposits	13	10

These deposit transactions were all on normal commercial terms and conditions and were processed under normal business procedures.

4. Details of the compensation for key management personnel are as follows:

	2015	2014
Salaries and other short term employee benefits	62	83
Post-employment benefits	1	1
Deferred bonus accruals	14	13
Total	77	97

As at 31 December 2015, the Company has authorised a total credit facility of RMB13,350 million (31 December 2014: RMB1,200 million) for entities relating to the key management personnel of the Company and the associates, which included an outstanding loan balance amounting to RMB500 million (31 December 2014: RMB1,000 million) and an outstanding facility of the off-balance sheet items amounting to RMB467 million (31 December 2014: RMB249 million). As at 31 December 2015, the Company took a deposit amounting to RMB4,731 million from the above entities relating to the key management personnel of the Company and the associates (31 December 2014: RMB12,359 million).

IX. SUBSEQUENT EVENTS

Pursuant to the resolution of 20th meeting of the 9th session of board of directors of the Company on 9 March 2016, the Company proposed to pay cash dividends of RMB 1.53 (tax inclusive) for each 10 shares based on total shares of 14,309 million as at 31 December 2015 after making appropriation to surplus reserve and general reserve, and the Company capitalised capital reserve 2 shares upon each 10 shares. The Company proposed to distribute cash dividends of RMB 2,189 million and transfer share capital of RMB 2,861 million, totalling RMB 5,050 million. The dividend distribution scheme is yet to be approved by the Annual General Meeting.

Pursuant to the APPROVAL ON PING AN BANK CO., LTD. 'S PRIVATE PLACEMENTS OF PREFERRED STOCK (Zhengjianxuke [2016] No. 341) issued by CSRC, the Company was entitled to privately issue preferred stocks not exceeding 0.2 billion shares. As at 9 March 2016, the above preferred stocks had been issued and the relevant issuance had been reported to CSRC for filling; share registration shall be conducted and issuance report shall be disclosed subsequently. A total of 0.2 billion preferred stocks were issued this time, with a nominal price of RMB 100 Yuan each and nominal dividend rate of 4.37%; the net amount of funds actually raised was RMB 19.9525 billion after deducting issuance cost.

X. Comparative information

Certain comparative figures have been restated to conform to the current year's presentation.

(All amounts in RMB millions unless otherwise stated)

XI. OTHER SIGNIFICANT ITEMS

1. Assets and liabilities carried at fair value

2015	Balance at beginning of the year	Gains or (losses) from changes in fair values during the year	Accumulated valuation gain taken into other comprehensive income	Balance at end of the year
Assets:				
Precious metals	45,254	(2,685)	-	63,744
Financial assets at fair value through profit or loss	25,811	(65)	-	19,757
Derivative financial assets	4,300	3,656	-	8,144
Available-for-sale financial assets	1,493	-	(1,532)	1,245
Total	76,858	906	(1,532)	92,890
Liabilities:				
Financial liabilities at fair value through profit or loss	(4,259)	229	-	(8,506)
Derivative financial liabilities	(2,662)	(1,216)	-	(4,037)
Total	(6,921)	(987)	-	(12,543)

2. Net asset return and earnings per share

	Profit for the year	Net asset return		Earnings per share(RMB)	
2015		Fully diluted	Weightedaverage	Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	21,865	13.54%	14.94%	1.56	1.56
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	21,902	13.56%	14.96%	1.56	1.56

	Profit for the year	Net asset return		Earnings per share(RMB) (Restated)	
2014		Fully diluted	Weightedaverage	Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	19,802	15.12%	16.35%	1.44	1.44
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	19,841	15.15%	16.38%	1.45	1.45

Of which, net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss:

	2015	2014
Net profit attributable to ordinary shareholders of the Company		
Add/(deduct): Non-recurring profit and loss items		
Losses on disposal of fixed assets, intangible assets and repossessed assets	24	8
Provision for litigation	1	6
Other non-operating income and expenses	24	38
Income tax effect	(12)	(13)
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	21,902	19,841

The above net asset return and earnings per share are calculated in accordance with the rules stipulated in the Regulation on Information Disclosure of Public Companies No.9 as revised by the China Securities Regulatory Commission on 11 January 2010. The non-recurring profit and loss is calculated in accordance with the rules stipulated in the Interpretation of Information Disclosure of Public Companies No.1 - Non Recurring Profit and Loss(No.43 [2008] promulgated by CSRC), effective from 1 December 2008.

Fair value changes arising from financial assets and liabilities held for trading and investment income arising from disposals of financial assets and liabilities held for trading and available for sale financial assets incurred during the normal course of business are not disclosed as non-recurring profit and loss items.

Documents Available for Inspection

1. Financial Statements signed and sealed by the Chairman, President and the representative from the accounting firm.

2. Original audit report with the seal of the accounting firm, signed and sealed by a Certified Public Accountant.

3. All of our original documents and original announcements disclosed on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily during the reporting period.

Board of Ping An Bank Co., Ltd.
March 10, 2016

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